

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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9 OCTOBER 16, 2001

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12 APPEARANCES:

13 MASON BRENT, GAS & OIL INDUSTRY REPRESENTATIVE

14 BENNY WAMPLER, DIRECTOR OF THE DMME & CHAIRMAN

15 CLYDE KING, PUBLIC MEMBER

16 DENNIS GARBIS, PUBLIC MEMBER

17 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

18 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND ACTING

19 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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1 ****AGENDA ATTACHED

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BENNY WAMPLER: Okay, we'll go ahead and get started. Good morning, my name is Benny Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy, and Chairman of the Gas & Oil Board. I'll ask the Board members to introduce themselves, starting with Mr. Brent.

MASON BRENT: My name is Mason Brent. I'm from Richmond, and I represent the Gas and Oil Industry.

CLYDE KING: My name's Clyde King. I'm from Abingdon. Welcome. And I am a public member.

SANDRA RIGGS: I'm Sandra Riggs. I'm with the Office of the Attorney General, and I am here to advise the Board.

DENNIS GARBIS: My name's Dennis Garbis. I'm a public member from Fairfax County, Northern Virginia.

BOB WILSON: I'm Bob Wilson. I'm the Director of the Division of Gas and Oil and the principal executive to the staff of the Board.

BENNY WAMPLER: Thank you very much. The first item on today's agenda, which is docket number VGOB-92-03/17-

1 0195. A matter of housekeeping, we've had a request to
2 continue that item. They're continuing negotiations. So,
3 unless there's an objection, that's continued to next month.

4 And then in order that some of the other folks that
5 are at the end of the agenda don't have to wait an extended
6 period of time, Mr. Swartz and others have agreed to allow
7 the last three items on the agenda for us to go forward.
8 We'll start with number 36. I'll go ahead and call that. I
9 don't believe that the Dart folks are here yet. I haven't
10 seen anyone. We'll get them if they come in perhaps. We'll
11 see.

12 The Gas and Oil Board will consider a petition from
13 Cabot Oil and Gas Corporation for pooling of a conventional
14 gas unit identified as COGC #43. This is docket number VGOB-
15 01-10/16-0966. We'd ask the parties that wish to address the
16 Board in this matter to come forward at this time.

17 JIM KISER: Mr. Chairman and members of the Board,
18 Jim Kiser on behalf of Cabot Oil and Gas Corporation. Our
19 witness in this matter will be Mr. Jeff Keim. We'd ask that
20 he be sworn at this time.

21 (Witness is duly sworn.)

22 BENNY WAMPLER: You may proceed. There are no
23 others.

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JEFFERY KEIM

3 having been duly sworn, was examined and testified as
4 follows:

5

DIRECT EXAMINATION

6 QUESTIONS BY MR. KISER:

7 Q. Mr. Keim, if you'd state your name for the
8 Board, who you're employed and in what capacity?

9 A. My name is Jeffery Keim. I'm the regional
10 land manager for Cabot Oil and Gas Corporation.

11 Q. And you have previously testified before the
12 Virginia Gas and Oil Board in force pooling hearings and your
13 qualifications as a expert witness in land matters and
14 operations have been accepted by the Board?

15 A. Yes.

16 Q. And you're familiar with Cabot's application
17 for the establishment of a drilling unit and seeking of a
18 pooling order for Cabot well #43, which was dated September
19 the 14th, 2001?

20 A. Yes, I am.

21 Q. And does Cabot own drilling rights in the
22 unit involved and depicted at Exhibit A to the application?

23 A. Yes, we do.

24

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1 Q. And does the proposed unit depicted at
2 Exhibit A include all acreage within a 1250 foot radius of
3 the proposed well?

4 A. Yes.

5 Q. Now, prior to the filing the application,
6 were efforts made to contact each of the respondents and an
7 attempt made to work out an agreement regarding the
8 development of the unit?

9 A. Yes.

10 Q. And what was the interest...the leased
11 interest of Cabot within the unit at the time of the filing
12 of the application?

13 A. At the time we filed the application, the
14 leased interest was 93.83%.

15 Q. Which leaves at the time of the filing of
16 the application an unleased interest of 6.17%?

17 A. That's correct.

18 Q. Now, subsequent to the filing of the
19 application, did your land department continue to attempt to
20 reach an agreement with the unleased respondents who were
21 listed at the original Exhibit B?

22 A. Yes, we did.

23 JIM KISER: Okay. At this point, Mr. Chairman and
24

1 members of the Board, this is a somewhat unique situation
2 that we have here today. If you'll look at your Revised
3 Exhibit B, since the time of the filing of the application,
4 Cabot has obtained leases from Ralph and Lorraine Elswick,
5 which is Tract #2, which was unleased at the time of the
6 filing of the application, and has obtained a lease in Tract
7 3 from Edward James Nixon and his wife, Helen Marie Nixon,
8 who own a 2/3 interest in Tract 3 and then are the
9 remaindermant in the remaining 1/3. So, all of the Edward
10 James Nixon and Helen Marie Nixon interest has been leased,
11 leaving at this time at the time of the hearing, the only
12 unleased within the unit, being the 1/3 life estate held by
13 Jessie Edward June Hess and Opal Marie Hess, which puts us in
14 a somewhat unique situation in that the life tenants aren't
15 entitled to any royalty, just income, just delay rental or a
16 cash bonus. And therefore, it would be our position, I guess
17 as we'll get into down the road, that the only elections that
18 they would be afforded under any Board order that the Board
19 would issue would be to sign a voluntary lease and if they
20 don't make that election, to be deemed to be leased.

21 Q. But that being said, what would our current
22 percentage at the time of the hearing of leased and unleased
23 acreage within the unit be?

24

--

1 A. Yeah, a unique situation. But on a royalty
2 basis 100%, but on rentals and bonus consideration basis
3 98.93% of the interest is leased, leaving approximately 1.07%
4 unleased. That would be the 1/3 life estate of Mr. Hess in
5 the Tract 4.

6 Q. And we have attempted to reach a voluntary
7 agreement with those life tenants?

8 A. Oh, many times.

9 Q. And in your professional opinion, was due
10 diligence exercised to locate each of the respondents named
11 in this Revised Exhibit B?

12 A. Yes.

13 Q. And are the addresses set out in Revised
14 Exhibit B to the application the last known addresses for the
15 respondents?

16 A. Yes.

17 Q. And are you requesting the Board to force
18 pool the 1/3 life estate interest of the Hess's as listed at
19 Revised Exhibit B?

20 A. Yes, we are.

21 Q. Now, are you familiar with the fair market
22 value of drilling rights in the unit here and in the
23 surrounding area?

24

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1 A. Yes.

2 Q. And could you advise the Board as to what
3 those are?

4 A. Yeah, what we have been paying for leases
5 out here are \$5 per acre as bonus consideration for a three
6 year primary term, 1/8 royalty and \$1 an acre delay rentals.

7 Q. Now, in your opinion, do the terms you have
8 testified to represent the fair market value of and fair and
9 reasonable compensation to be paid for drilling rights within
10 this unit?

11 A. Yes, I do.

12 Q. Okay, now as to the Hess's 1/3 life estate
13 interest, do you agree that the only election option that
14 they should be afforded would be the cash bonus of \$5 per net
15 mineral acres?

16 A. Yes.

17 Q. Okay, and do you recommend that the order
18 provide that any elections by any respondents be in writing
19 and sent to the applicant at Cabot Oil and Gas Corporation,
20 900 Lee Street East, is that correct?

21 A. That's correct.

22 Q. Ste. 1500, Charleston, West Virginia zip
23 code 25301, Attention: Jeff Keim?

24

1 A. That's correct. That should be the address
2 for all communications.

3 Q. Okay, and do you recommend that if the order
4 provide that if no written election is properly made by a
5 respondent, then such respondent should be deemed to have
6 elected the cash option, that being the cash bonus and delay
7 rental in lieu of, in this case, electing to be leased?

8 A. Yes.

9 Q. And should the unleased respondents be given
10 30 days from the date of the order to file any written
11 elections?

12 A. Sure. Yes.

13 Q. And should the applicant be allowed a 120
14 days following the recording of the Board order and
15 thereafter, annual on that date to pay or tender any cash
16 bonus becoming due under the force pooling order?

17 A. Yes.

18 Q. Now, given this situation with these life
19 tenants and the fact that we've...there's some consternation
20 between them and the remainderment and we've made many
21 attempts to place them, do you recommend that the order
22 provide that if this respondent refuses to accept any payment
23 due, including any payment due under the order, that the
24

1 operator create an escrow account for their benefit until
2 this can be satisfied?

3 A. Yes.

4 Q. And who should be named the operator under
5 any force pooling order?

6 A. Cabot Oil and Gas Corporation.

7 Q. Now, are you requesting that the force
8 pooling include conventional gas reserves not only to include
9 designated formations, but any other formations excluding
10 coal formations which may be those formations designated from
11 the surface to the total depth drilled?

12 A. Yes.

13 Q. And in your professional opinion, Mr. Keim,
14 would the granting of this application be in the best
15 interest of conservation, the prevention of waste and the
16 protection of correlative rights?

17 A. Yes, I do.

18 JIM KISER: Nothing further of this witness at this
19 time, Mr. Chairman.

20 BENNY WAMPLER: Let me ask one question and then
21 I'll see if the Board has questions. Would you explain your
22 lease with the Nixons, Edward James Nixon and Helen Marie
23 Nixon, specifically leasing their remaindermant portion?

24

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1 JEFF KEIM: How would you like it explained?

2 BENNY WAMPLER: You obtained the lease with them?

3 JEFF KEIM: Yes. I have it right here.

4 BENNY WAMPLER: I'll leave that to you and your

5 lawyer. I guess, what I'm interested in is how you went

6 about leasing the remaining portion of the---.

7 JEFF KEIM: Well, we simply...I mean, it's very

8 straight forward. We simply asked them if they would sign an

9 oil and gas lease with us and they were---.

10 BENNY WAMPLER: And you covered...covered

11 everything at that time?

12 JEFF KEIM: Yes.

13 JIM KISER: It covers all their interest, right.

14 JEFF KEIM: All their interest, yes.

15 BENNY WAMPLER: Okay.

16 JEFF KEIM: Yes, which is actually a...they have a

17 2/3 interest in the property, and then the remainder of their

18 ...the remainder owners are the 1/3 interest. So, this lease

19 covers all their interest being the full 2/3 and their 1/3

20 remainder interest.

21 JIM KISER: Their remainder interest.

22 BENNY WAMPLER: The reason I was asking for

23 clarification on your Exhibit B when you listed the folks

24

1 down there you've listed them as remainderment. You show the
2 lease up here, but at that bottom...do you see?

3 JEFF KEIM: Oh, I see what he's saying. Yeah.
4 Yes.

5 JIM KISER: We should have signed---.

6 JEFF KEIM: Yes. It should...you should have taken
7 the---.

8 JIM KISER: (Inaudible).

9 JEFF KEIM: Absolutely, that should be corrected.
10 Absolutely. The lease that we have here from Edward...it's
11 Edward James---.

12 JIM KISER: And Helen Marie.

13 JEFF KEIM: ---and Helen Marie Nixon covers their
14 entire interest.

15 BENNY WAMPLER: Questions from members of the
16 Board?

17 (No audible response.)

18 BENNY WAMPLER: Sandra, do you have any?

19 SANDRA RIGGS: I don't think so.

20 (Mr. Kiser and Mr. Keim confer.)

21 JEFF KEIM: Thank you...thank you for pointing that
22 out.

23 BENNY WAMPLER: Sure. Do you have anything
24

1 further?

2 JIM KISER: We'd ask that the application be
3 approved as submitted with the caveat that we will supply a
4 Revised Exhibit B to show that the 2/3 remainder interest
5 leased. We just need to type in leased.

6 CLYDE KING: I move that we approve.

7 BENNY WAMPLER: I have a motion to approve. Is
8 there a second?

9 DENNIS GARBIS: I second.

10 BENNY WAMPLER: Motion and second. Any further
11 discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying
14 yes.

15 (All members signify by saying yes.)

16 BENNY WAMPLER: Opposed, say no.

17 (No audible response.)

18 BENNY WAMPLER: You have approval. Thank you.

19 JEFF KEIM: Thank you.

20 BENNY WAMPLER: The next item on the agenda is a
21 petition from Equitable Production Company for pooling of a
22 conventional gas unit identified as V-501832, docket number
23 VGOB-01-10/16-0967. We'd ask the parties that wish to
24

1 address the Board in this matter to come forward at this
2 time.

3 JIM KISER: Mr. Chairman and members of the Board,
4 Jim Kiser on behalf of Equitable Resources, or Equitable
5 Production Company. Our witness in this matter will be Mr.
6 Don Hall. We'd ask that he be sworn at this time.

7 (Witness is duly sworn.)

8 BENNY WAMPLER: The record will show there are no
9 others. You may proceed.

10

11 DON HALL

12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KISER:

16 Q. Okay, in this particular well, conventional
17 well, and the reason we're before you today, the only
18 unleased parties respondents that we have in the entire unit
19 are all unknown parties being Steven H. Brickley and the
20 unknown heirs of Frank Allen Kilgore.

21 With that being said, we'll begin our testimony.
22 Mr. Hall, you you'd state your name for the Board, who you're
23 employed by and in what capacity?

24

--

1 A. My name is Don Hall. I'm employed by
2 Equitable Production Company as District Landman.

3 Q. And your responsibilities include the land
4 involved in this unit and in the surrounding area?

5 A. Yes, I do.

6 Q. And you're familiar with Equitable's
7 application for the establishment of a drilling unit and the
8 seeking of a pooling order for EPC well number V-501832 which
9 was dated September the 14th, 2001?

10 A. Yes, sir.

11 Q. And does Equitable own drilling rights in
12 the unit involved here?

13 A. We do.

14 Q. Now, prior to filing the application, were
15 efforts made to contact each of the respondents in an attempt
16 to work out an agreement regarding the development involved?

17 A. Yes.

18 Q. Development of the unit involved?

19 A. Yes.

20 Q. And the interest under lease to Equitable
21 within the unit?

22 A. 93.76%.

23 Q. And the unleased percentage?

24

1 A. 6.24%.

2 Q. And as I stated at the beginning of our
3 hearing, the only interest that remain unleased are unknown
4 interests?

5 A. Well, Steven Brickley is known, but we just
6 can't find him and the other are the unknown heirs.

7 Q. Well, I mean, unknown or unlocateable?

8 A. Right. The unknown heirs of Frank Allen
9 Kilgore.

10 Q. So, obviously, you haven't been able to
11 obtain any additional leases since the time of the filing of
12 the application?

13 A. No.

14 Q. So, all the unleased parties are set out at
15 Exhibit B?

16 A. That's correct.

17 Q. And were efforts made to determine if
18 individual respondents were living or deceased or their
19 whereabouts; and if deceased, were efforts made to determine
20 the names and addresses and whereabouts of the successors to
21 any deceased individual respondents?

22 A. Yes.

23 Q. And were reasonable and diligent efforts
24

1 made and sources checked to identify and locate unknown
2 heirs---?

3 A. Yes.

4 Q. ---including primary sources such as deed
5 records, probate records, assessor's records, treasurer's
6 records and secondary sources such as telephone directories,
7 city directories, family and friends?

8 A. Yes.

9 Q. In your professional opinion, was due
10 diligence exercised to locate each of these unlocateable or
11 unknown respondents that are named in Exhibit B?

12 A. It was.

13 Q. Now, are the addresses set out in Exhibit B
14 to the application the last known addresses for the
15 respondents?

16 A. They are.

17 Q. Are you requesting this Board to force pool
18 all unleased interests listed at Exhibit B?

19 A. Yes.

20 Q. Are you familiar with the fair market value
21 of drilling rights in the unit here and in the surrounding
22 area?

23 A. Yes.

24

--

1 Q. Could you advise the Board as to what those
2 are?

3 A. A \$5 bonus on a five year term and 1/8
4 royalty.

5 Q. And in your opinion, do these terms you have
6 testified to represent the fair market value of and the fair
7 and reasonable compensation to be paid for drilling rights
8 within this unit?

9 A. They do.

10 Q. Now, based on your testimony, do you
11 recommend that respondents listed at Exhibit B that remain
12 unleased be allowed the following options with respect to
13 their ownership interest within the unit. One,
14 participation; two, a cash bonus of \$5 per net mineral acre
15 plus a 1/8 of 8/8 royalty; three, in lieu of the cash bonus
16 and 1/8 of 8/8 royalty, a share in the operation of the well
17 on a carried basis as a carried operator under the following
18 conditions: Such carried operator shall be entitled to the
19 share of production from the tracts pooled accruing to his
20 interest exclusive of any royalty or overriding royalty
21 reserved in any leases, assignments thereof or agreements
22 relating thereto of such tracts, but only after the proceeds
23 applicable to his share equal - A), 300% of the share of such
24

1 cost applicable to the interest of a carried operator of a
2 leased tract or portion thereof; or B), 200% of the share of
3 such cost applicable to the interest of the carried operator
4 of an unleased tract or portion thereof?

5 A. Yes.

6 Q. Do you recommend that the order provide that
7 all elections by respondents be in writing and sent to the
8 applicant at Equitable Production Company, 1710 Pennsylvania
9 Avenue, Charleston, West Virginia 25328, Attention: Melanie
10 Freeman, Regulatory?

11 A. We did.

12 Q. And should this be the address for all
13 communications with the applicant concerning any force
14 pooling order?

15 A. Yes.

16 Q. Do you recommend that the pooling order
17 provide that if no written election is properly made by a
18 respondent, then such respondent shall be deemed to have
19 leased in lieu of participation?

20 A. Yes.

21 Q. And should unleased respondents be given 30
22 days from the date of the execution of the order to file
23 written elections?

24

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1 A. Yes.

2 Q. And if an unleased respondent elects to
3 participate, should they be given 45 days to pay for their
4 proportionate share of well costs?

5 A. Yes.

6 Q. Does the applicant expect the party electing
7 to participate to pay in advance that party's share of
8 completed well costs?

9 A. Yes.

10 Q. Should the applicant be allowed a 120 days
11 following the recordation date of the Board order and
12 thereafter annually on that date until production is achieved
13 to pay or tender any cash bonus becoming due under any force
14 pooling order?

15 A. Yes.

16 Q. Do you recommend the order provide that if a
17 respondent elects to participate but fails to pay their
18 proportionate share of well costs satisfactory to the
19 applicant for payment of those costs, then their election to
20 participate shall be treated as having been...as having been
21 withdrawn and void?

22 A. Yes.

23 Q. Do you recommend that the order provide that
24

1 where a respondent elects to participate but defaults in
2 regard to the payment of well costs, any cash sum becoming
3 payable to such respondent be paid within 60 days after the
4 last date on which such respondent could have paid or made
5 arrangements for the payment of those well costs?

6 A. Yes.

7 Q. Okay, in this case the Board needs to
8 establish a escrow account for the unknown/unlocateable
9 interest?

10 A. That's correct.

11 Q. And who should be named the operator under
12 any force pooling order?

13 A. Equitable Production Company.

14 Q. Now, what is the total depth of the proposed
15 well under the applicant's plan of development?

16 A. 4662 feet.

17 Q. And is the applicant requesting the force
18 pooling of conventional gas reserves not only to include the
19 designated formations, but any other formations excluding
20 coal formations which may be between those formations
21 designated from the surface to the total depth drilled?

22 A. Yes.

23 Q. And what are the estimated reserves of the
24

1 unit underlying 501832?

2 A. 500,000,000 cubic feet.

3 Q. Now, are you familiar with the well costs
4 for the proposed well?

5 A. Yes.

6 Q. Has an AFE been reviewed, signed and
7 submitted to the Board as Exhibit C to the application?

8 A. It has.

9 Q. And was this AFE prepared by an engineering
10 department knowledgeable in the preparation of AFEs, and in
11 particular knowledgeable to well costs in this area?

12 A. It was.

13 Q. In your professional opinion, does the AFE
14 represent a reasonable estimate of the well costs for this
15 well?

16 A. It does.

17 Q. Could you state for the Board both the dry
18 hole costs and the completed well costs?

19 A. The dry hole costs is \$154,135. The
20 completed well costs is \$262,025.

21 Q. Do these costs anticipate a multiple
22 completion?

23 A. Yes.

24

1 Q. Does your AFE include a reasonable charge
2 for supervision?
3 A. It does.
4 Q. In your professional opinion, would the
5 granting of this application be in the best interest of
6 conservation, the prevention of waste, and the protection of
7 correlative rights?
8 A. Yes.
9 JIM KISER: Nothing further of this witness at this
10 time, Mr. Chairman.
11 BENNY WAMPLER: Questions from members of the
12 Board?
13 (No audible response.)
14 BENNY WAMPLER: Do you have anything further?
15 JIM KISER: We'd ask that the application be
16 approved as submitted.
17 BENNY WAMPLER: Is there a motion?
18 DENNIS GARBIS: I move to approve.
19 MASON BRENT: I second.
20 BENNY WAMPLER: The motion is seconded. Any
21 further discussion?
22 (No audible response.)
23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval. The next item
6 on the agenda is a petition from Equitable Production Company
7 for pooling of a coalbed methane unit identified as VC-
8 504637, docket number VGOB-01-10/16-0968. We'd ask the
9 parties that wish to address the Board in this matter to come
10 forward at this time.

11 JIM KISER: Mr. Chairman, Jim Kiser, again, on
12 behalf of Equitable Production Company. Our witness again
13 will be Mr. Hall. I'll remind him that he has been sworn and
14 is under oath.

15 BENNY WAMPLER: The record will show there are no
16 others. You may proceed.

17

18 DON HALL

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KISER:

21 Q. Mr. Hall, if you'd again state your name for
22 the Board, who you're employed by and in what capacity?

23 A. My name is Don Hall. I'm employed by
24

--

1 Equitable Production Company as District Landman.

2 Q. And, again, your responsibilities include
3 the land involved in this unit and in the surrounding area?

4 A. They I do.

5 Q. And you're familiar with Equitable's
6 application seeking a pooling order for EPC well number VC-
7 504637, which was dated February...excuse me, September the
8 14th, 2001?

9 A. Yes.

10 Q. And is Equitable seeking to force pool
11 drilling rights underlying the unit as depicted at Exhibit A,
12 that being the plat to the application?

13 A. We are.

14 Q. And does the location for this proposed well
15 fall within the Board's order for the Nora Coalbed Gas Field?

16 A. It does.

17 Q. Prior to filing this application, were
18 efforts made to contact each of the respondents and an
19 attempt made to work out a voluntary lease agreement with
20 each of them?

21 A. Yes.

22 Q. And what is the percentage that Equitable
23 has under lease with the unit of the gas estate?

24

--

1 A. 98.925%.

2 Q. And the interest in the coal estate that's
3 under lease?

4 A. A 100%.

5 Q. Okay. So, all the unleased parties are set
6 out at Exhibit B and, in fact, the only unleased party within
7 the unit is an owner with the Gas Estate, a Michael Green,
8 who owns an undivided interest in Tract #4?

9 A. That's correct.

10 Q. And we've been attempting to negotiate a
11 voluntary lease with Mr. Green and, in fact, probable expect
12 to obtain that prior to the filing of the supplemental order?

13 A. Yes, it's likely.

14 Q. Okay, so the only thing that...the only
15 interest that remains unleased is 1.025 interest within the
16 gas estate, correct?

17 A. Yes. 1.075.

18 Q. Is it 1.075?

19 A. Yeah.

20 Q. I'm sorry. 1.075. I can't read. In your
21 professional opinion, was due diligence exercised to locate
22 each of the respondents that are named herein?

23 A. Yes.

24

1 Q. Now, are the addresses set out in Exhibit B
2 to the application the last known addresses for the
3 respondents?

4 A. They are.

5 Q. Are you requesting this Board to force pool
6 all unleased interest listed at Exhibit B?

7 A. Yes.

8 Q. Now, are you familiar with the fair market
9 value of drilling rights in the unit here and in the
10 surrounding area?

11 A. Yes.

12 Q. Could you advise the Board again as to what
13 those are?

14 A. A \$5 year...a \$5 bonus a five year term and
15 1/8 royalty.

16 Q. And in your opinion, do those terms you have
17 just testified to represent the fair market value of and the
18 fair and reasonable compensation to be paid for drilling
19 rights within this unit?

20 A. They do.

21 JIM KISER: Mr. Chairman, at this time I would ask
22 the Board's permission to incorporate the testimony regarding
23 the elections that are afforded the unleased respondents and
24

--

1 their time periods in which to make those elections and all
2 the other terms regarding the elections that was previously
3 taken in VGOB docket number 01-10/16-0967.

4 BENNY WAMPLER: They'll be incorporated.

5 Q. And, Mr. Hall, do we need to establish an
6 escrow account because of a conflicting claimant situation?

7 A. We do.

8 Q. And who should be named the operator under
9 any force pooling order here?

10 A. Equitable Production Company.

11 Q. And what is the total depth of proposed well
12 under this plan of development?

13 A. 2639 feet.

14 Q. And what are the estimated reserves for the
15 unit?

16 A. 350,000,000 cubic feet.

17 Q. Now, are you familiar with the well costs
18 for this proposed well?

19 A. Yes.

20 Q. Has an AFE been reviewed, signed and
21 submitted to the Board as Exhibit C to the application?

22 A. It has.

23 Q. And was this AFE prepared by an engineering
24

1 department knowledgeable in the preparation of AFEs and
2 knowledgeable in particular in regard to CBM well costs in
3 this area?

4 A. It was.

5 Q. Does the AFE represent a reasonable estimate
6 of the well costs?

7 A. Yes.

8 Q. And what would be the dry hole costs and the
9 completed well costs for this well?

10 A. The dry hole costs would be \$96,640. The
11 completed well costs would be \$193,220.

12 Q. Do these costs anticipate a multiple
13 completion?

14 A. They do.

15 Q. Does your AFE include a reasonable charge
16 for supervision?

17 A. It does.

18 Q. In your professional opinion, would the
19 granting of this application be in the best interest of
20 conservation, the prevention of waste, and the protection of
21 correlative rights?

22 A. Yes.

23 JIM KISER: Nothing further of this witness at this
24

1 time, Mr. Chairman.

2 BENNY WAMPLER: I have one question on your plat,
3 the well location. You need an exception?

4 DON HALL: Yes, we need one. We have one. We have
5 a permit. We already have a permit for this well.

6 BENNY WAMPLER: Okay. Issued, Bob?

7 BOB WILSON: Yes.

8 BENNY WAMPLER: Okay. All right. Questions from
9 members of the Board?

10 CLYDE KING: That's the first one I've seen that
11 close to the---.

12 BOB WILSON: As I remember on this particular one,
13 and you can correct me if I'm wrong, there were some coal
14 company restraints on this, I believe, as well as topographic
15 problems with that unit that pretty much forced it into the
16 corner down here.

17 DON HALL: Right.

18 JIM KISER: Nothing further of this witness, Mr.
19 Chairman, and we would ask that the application be approved
20 as submitted.

21 BENNY WAMPLER: Is there any questions from members
22 of the Board?

23 (No audible response.)

24

1 BENNY WAMPLER: Is there a motion?

2 MASON BRENT: Mr. Chairman, I move that we grant

3 the application.

4 CLYDE KING: I second.

5 BENNY WAMPLER: Motion and second. Any further

6 discussion?

7 (No audible response.)

8 BENNY WAMPLER: All in favor, signify by saying

9 yes.

10 (All members signify by saying yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval.

14 JIM KISER: Thank you.

15 DON HALL: Thank you.

16 SANDRA RIGGS: Do you know the permit number by

17 chance on that one? Do you have it with you?

18 DON HALL: No, I don't have a copy.

19 BOB WILSON: I don't have it. I can get it for

20 you. It was issued in September, but I don't have the---.

21 SANDRA RIGGS: I'll get it. That's okay.

22 BENNY WAMPLER: We'll go back to item number two on

23 the agenda. We'll consider a petition from Buchanan

24

1 Production Company for pooling of a coalbed methane unit
2 identified as A-25, docket number VGOB-01-10/16-0928. You
3 all see the sheet of paper I passed out to Board members
4 earlier where Mr. Swartz is suggesting that we...he'll
5 discuss this I'm sure, that we combine the A-25, B-23, B-25,
6 and ZZZ-25. But before we do that, we'll wait to hear him
7 discuss that grouping.

8 MARK SWARTZ: Mark Swartz and Les Arrington and
9 Anita Tester are here for Buchanan Production Company and
10 also for Pocahontas Gas Partnership who is later on the
11 docket.

12 CLYDE KING: Wow!

13

14 MARK SWARTZ: What we have done to try and
15 facilitate the process today, is we have prepared, and I know
16 you want additional booklet, but we have prepared a book
17 that groups the pooling applications that are on the docket
18 today by respondent grouping. So, the...we've put...you
19 know, the logical selection is we've looked at who the
20 respondents are and we've tried to put those folks together
21 because we were assuming that we might have a couple of the
22 groups where people would come today and that looks like that
23 may not be the case. But that's how they have been grouped.

24

--

1 I have written in handwriting off to the right hand side of
2 what Benny just gave you, I've correlated the units because
3 we list them by units in the grouping to the docket numbers
4 for ease in consolidating these things for hearing, and
5 those, I believe, are the docket numbers of the various
6 items. What I would propose to do is move to consolidate
7 into these six groups. And then if you notice, if you just
8 take the first tab, which I assume is a red tab. Behind that
9 there is a spreadsheet summary and that summarizes the
10 pertinent information that we would normally offer testimony
11 with regard to each of the units. And Anita and Les and I
12 have been through this stuff with a fine tooth comb, caught
13 some mistakes yesterday, and some last night and we're pretty
14 comfortable that we have, you know, got this stuff squared
15 away. But what I would propose to do is offer this sort of
16 generic who's the applicant testimony, and then have Les talk
17 about the summary spreadsheet and offer that into evidence
18 and then let you have some time to review that and the
19 applications to see if anything jumps out at you that you're
20 interested in making an inquiry and we'll deal with those
21 questions, and then that would be the way I would present
22 this. I think that would be an efficient way to do it, you
23 know, if it's okay with you all.

24

--

1 BENNY WAMPLER: Any objections to doing that as
2 proposed, members of the Board?
3 (No audible response.)
4 BENNY WAMPLER: All right. I'll go ahead and call
5 the remainder of the group one.
6 MARK SWARTZ: Okay.
7 BENNY WAMPLER: I've already called A-25. The next
8 one is B-23, which is item 6 on the Board's agenda. That's
9 docket number VGOB-01-10/16-0932; B-25, docket number VGOB-
10 01-10/16-0933; and number 29 on your agenda, unit ZZZ-25,
11 VGOB number 01-10/16-0959. We'd ask the parties that wish to
12 address the Board in these matters to come forward at this
13 time.
14 MARK SWARTZ: Mark Swartz, Les Arrington and Anita
15 Tester.
16 BENNY WAMPLER: The record will show there are no
17 others. You may proceed.
18 MARK SWARTZ: You need to probably swear Les in.
19 CLYDE KING: Mr. Chairman, which items are we
20 looking at?
21 BENNY WAMPLER: 2, 6, 7, and it's on your grouping
22 there as well, and 29.
23 CLYDE KING: Okay.

24

--

1 (Witness is duly sworn.)

2

3 LESLIE K. ARRINGTON

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. SWARTZ:

8 Q. Les, you need to state your name for us.

9 A. Leslie K. Arrington.

10 Q. Who do you work for?

11 A. Consol Energy.

12 Q. What's your title?

13 A. Gas Engineer.

14 Q. And with regard to the four pooling
15 applications that we've put into group one, okay,---?

16 A. Yes.

17 Q. ---did you either prepare or have prepared
18 under your direction the notices, applications, and the
19 related exhibits?

20 A. Yes, I did.

21 Q. Okay, and did you in fact sign the notices
22 of hearing and the applications?

23 A. Yes, I did.

24

--

1 Q. Okay. Who is the applicant in all four of
2 these units?

3 A. Buchanan Production Company.

4 Q. Is Buchanan Production Company a Virginia
5 General Partnership?

6 A. Yes, it is.

7 Q. Are its two partners...who are its two
8 partners? Do you recall?

9 A. Yes. It's Consol Energy and Consolidation
10 Coal Company.

11 Q. Okay. And is Buchanan Production Company
12 authorized to do business in Virginia?

13 A. Yes, it is.

14 Q. And who is that Buchanan, the applicant, is
15 requesting be appointed the Board's designated operator if
16 these applications are approved?

17 A. Consol Energy.

18 Q. Okay. And that would be true for all four
19 of them?

20 A. Yes, it will.

21 Q. Okay. Is Consol Energy a Delaware
22 Corporation?

23 A. Yes, it is.

24

1 Q. Is it authorized to do business in the
2 Commonwealth?

3 A. Yes, it is.

4 Q. And has it registered with the Department of
5 Mines, Minerals and Energy and has it filed a blanket bond as
6 required?

7 A. Yes, it has.

8 Q. Now, some time ago the management committee
9 of Buchanan Production Company delegated to Consol, Inc.,
10 who's the predecessor of Consol Energy, essentially all
11 responsibility and authority as well to operate Buchanan
12 Production Company's coalbed methane assets. Is that true?

13 A. That's correct.

14 Q. And is Consol Energy, Inc. pursuing
15 that...these applications on behalf of Buchanan Production by
16 reason of that delegation?

17 A. Yes, it is.

18 Q. Okay. Now, with regard to the respondents,
19 have you listed the respondents in the Exhibits B-3 that
20 pertain to each of these units?

21 A. Yes, we have.

22 Q. Okay. Now, in a couple of instances...well,
23 in fact, with regard to all four of these units, there are

24

--

1 Revised Exhibits B-3. Do you recall that?

2 A. There is.

3 Q. And have these been revised because after
4 you mailed and published, you've received comments back from
5 some of the respondents with regard to their interest and
6 interest of their other family members?

7 A. Yes, we did.

8 Q. Okay, so in reaction to the further
9 information that you've obtained, you have, in fact, revised
10 and updated your exhibits, is that correct?

11 A. We did.

12 Q. Okay. Now, in response to this information,
13 is it also a fact that in addition to adding some folks
14 as...because their family members have identified them, it
15 also turned out that you needed to dismiss some people?

16 A. We did.

17 Q. Okay. Now, with regard to these four units,
18 have you filed an Exhibit B-2 with regard to each unit in the
19 booklet that you've given to the Board members today?

20 A. Yes, we have.

21 Q. And the purpose of Exhibit Two is to either
22 add or subtract people, is that correct?

23 A. That's correct, it is.

24

--

1 Q. Let's take a look just for example at
2 Exhibit B-2 to A-25. Can you find that?
3 A. Yes.
4 Q. And this is a two page exhibit, correct?
5 A. Yes.
6 Q. And this exhibit with regard to A-25 and the
7 same would be true with regard to the other four units,
8 correct?
9 A. That's right. Uh-huh.
10 Q. Discloses people that you have added and the
11 reason for their addition?
12 A. That's correct.
13 Q. And also discloses, for example, the first
14 page, they're four people that you're asking be dismissed?
15 A. That's correct.
16 Q. And the reason for that?
17 A. Apparently they were not an owner.
18 Q. Okay. So, when you noticed them, you
19 thought that they had an ownership interest of record and it
20 turns out through further due diligence that they do not?
21 A. That's correct.
22 Q. Okay. With regard to the question of is it
23 necessary to add or subtract any respondents concerning these
24

1 four units, is that question answered by the Exhibits B-2
2 that are in the booklet that you've tendered to the Board
3 today?

4 A. Yes, it should.

5 Q. Okay. So, there would be---?

6 BENNY WAMPLER: They're the same for each one.

7 Q. There would be a listing that would disclose
8 who needs to be added because of information you've received
9 from the relatives in the estates and who might need to be
10 subtracted with regard to each of these four units, correct?

11 A. That's correct.

12 Q. And they may not be identical, okay, but
13 they're probably are darn---?

14 A. Probably close.

15 Q. ---close, if not identical?

16 A. Yes.

17 Q. With regard to the other revised exhibits in
18 this first group, group one, if your...it follows logically,
19 does it not, that if you have to add or subtract people and
20 you filed an Exhibit B-2, you would need to have an amended
21 or Revised Exhibit B-3, correct?

22 A. That's correct.

23 Q. So, with regard to all four of these units
24

--

1 in the first group, we have Revised Exhibits B-3 which lists
2 all of the respondents that you're seeking to pool by the
3 four applications that we're talking about, correct?

4 A. That's correct. Yes.

5 Q. Okay. Is it true that all four of these
6 units are Oakwood I units?

7 A. That's correct. They are.

8 Q. Which would mean that they would be frac
9 units?

10 A. That's correct.

11 Q. Is it true that there is one well depicted
12 on the plats for each of these units?

13 A. Yes, it is.

14 Q. And that that would be a frac well?

15 A. Yes, it is.

16 Q. And in the...given that these are Oakwood I
17 units, you are seeking to pool and produce coalbed methane
18 from the Tiller on down, is that correct?

19 A. From all coal seams below the Tiller,
20 correct.

21 Q. Okay. Did you mail?

22 A. Yes, we did. We mailed by certified
23 mail/return receipt requested on September the 14th of 2001.

24

--

1 Q. And that would have been true with all
2 these?

3 A. Yes, it is.

4 Q. And then did you publish as well?

5 A. Yes, we did.

6 Q. And there are various publication dates
7 which are shown?

8 A. Yes, they are.

9 Q. But in any event, there is publication of
10 documentation from the newspaper and mailing information from
11 your staff and the post office with regard to each of these
12 units and the information that has been submitted today, is
13 that correct?

14 A. That's correct. It is.

15 MASON BRENT: That covers the additions on B-2 as
16 well, the notification?

17 MARK SWARTZ: The people in B-2 would have been
18 notified by the publication and not by mailing. I mean, I
19 guess it's reverse mailing. I mean---.

20 Q. But the...if you look at the publication,
21 for example, let's look at B-2 here here, when it was
22 published under Tract 1A, .81 acres, the publication notice
23 was to the heirs, devisees, successors or assigns of Mary Lou
24

1 Bowan Kroll, correct?

2 A. Yes.

3 Q. So, I mean, we gave that estate information
4 which partly accounts for why we got...but we did not
5 subsequently mail because we did not have time. Is that
6 true?

7 A. That's correct.

8 Q. Okay. With regard to these on a collective
9 basis, obviously you've been able to lease most of the
10 interest covered by these four applications, is that correct?

11 A. Yes, we have.

12 Q. And what have been the standard terms that
13 you have offered to the folks that you have been able to
14 lease from?

15 A. Yes, our standard coalbed methane lease is a
16 \$1 per acre per year with a 5 year paid up term and a 1/8
17 royalty.

18 Q. And would you recommend to the Board that
19 those same terms be used by them by any order that might be
20 entered with regard to the terms afforded to people who might
21 be deemed to have been leased after the election period?

22 A. Yes, we would.

23 Q. Have you in each case submitted an estimate
24

--

1 with regard to costs?

2 A. Yes, we have.

3 Q. And it looks to me like none of these wells
4 are currently drilled, is that correct?

5 A. That's correct. They are not.

6 Q. Okay. So, you've got an estimated depth and
7 estimated cost, but none have been drilled?

8 A. Correct.

9 Q. Okay. Now, turning again to, and we'll just
10 stay with A-25 as an example, we'll go to B-3. B-3 discloses
11 with regard to A-25, does it not, that there are some folks
12 for whom you do not have addresses, is that correct?

13 A. That is correct.

14 Q. And so for the several tracts where there
15 are people that do not have addresses to the extent of their
16 interests,---?

17 A. Uh-huh.

18 Q. ---the unlocateables, for example, if you
19 went to page five of thirty-four, there's a David F. Thompson
20 that you don't have an address for, correct?

21 A. Correct.

22 Q. With regard to those folks in the tracts
23 identified and their interest, it would be necessary for the
24

1 Board to establish an escrow account, correct?

2 A. That's correct.

3 Q. And a sub-account for the tract?

4 A. Yes.

5 Q. And are your concerns with regard to the

6 need for escrow shown in Exhibit B-3 with regard to each of

7 these units?

8 A. Yes, it is.

9 Q. Okay. So, if there are unknowns or

10 unlocateables, that is set forth specifically in these

11 exhibits, correct?

12 A. Yes, it is.

13 Q. Are there any conflicts in, and let's just

14 stay with B-3, for example?

15 A. I don't believe so.

16 Q. Okay, now the easiest way to look at

17 conflicts, though, we probably need to go to A-25, the tract

18 IDs. Is there a need for escrow in A-25 by reason of any

19 conflicts?

20 A. No there's not.

21 Q. It looks like everybody has a fee ownership,

22 correct?

23 A. That's correct.

24

1 Q. Now, let's look at B-23 and if I'm not
2 mistaken, that tract identification was revised so we would
3 have to look in the information that was given to the Board
4 today, okay. And if we look at B-23---?
5 A. There's no conflict there.
6 Q. Okay. Because again we've got...we appear
7 to have fee?
8 A. That's correct.
9 Q. Okay. With regard to B-25, we've got a
10 revised tract identification page that was submitted today.
11 Let's go to that.
12 A. And it does not appear to be any reason for
13 escrow for conflicting claims.
14 Q. Again, we've got fee ownership of minerals
15 anyway---?
16 A. Yes.
17 Q. ---right?
18 A. Uh-huh.
19 Q. Okay, and then the last of the four units is
20 ZZZ-25, right?
21 A. Uh-huh.
22 Q. And that one, I think, we did not revise the
23 tract ID. So, you need to look at the one that was filed
24

1 originally. And what's the need---?

2 A. No reason there for conflicting claims.

3 Q. Okay, so in summary, with regard to escrow
4 requirements for these four units if there is an unknown or
5 unlocateable set forth in Exhibit B-3, that would be the only
6 reason to escrow?

7 A. That's correct.

8 Q. Lastly, Les, have you and Anita undertaken
9 to summarize some of the specific information that we share
10 with the Board when we're pooling on the first page of group
11 one entitled "Notes for October 16, 2001 Hearing"?

12 A. Yes, we have.

13 Q. Okay. And would you offer that exhibit in
14 evidence as accurately extracting the information that's
15 reported on that exhibit for each of the units from the
16 original exhibits if they were not amended and from the
17 amended or revised exhibits if they were amended exhibits
18 tendered today?

19 A. Yes, we would.

20 Q. Okay. Then the last couple of questions
21 would be, is it your opinion that the development plan that's
22 disclosed by these applications and the plats and so forth,
23 is a reasonable plan to extract coalbed methane from within
24

1 and under these Oakwood I 80 acre units?

2 A. Yes, we would.

3 Q. And would you recommend it to the Board as a
4 method to protect the correlative rights of all owners and
5 claimants?

6 A. Yes, we do.

7 MARK SWARTZ: That's all I would have of Mr.
8 Arrington. But I would, you know, invite you to look at the
9 summary that we've submitted here and the exhibits and we're
10 certainly...you know, we're here to answer any questions you
11 might have.

12 BENNY WAMPLER: Just a couple of things.

13 MARK SWARTZ: Okay.

14 BENNY WAMPLER: When you're...you're doing your
15 summary here, rather than go through the AFE and talking
16 about the costs, you're saying your summary represents those
17 costs that's represented in the AFE?

18 MARK SWARTZ: Correct.

19 BENNY WAMPLER: When you have listed, for example
20 B-23---?

21 MARK SWARTZ: Okay.

22 BENNY WAMPLER: ---your CBM leased and your
23 adverse, when I go to your item that's listed in your
24

1 notebook, it is revised from what was in the original---?

2 MARK SWARTZ: Right.

3 BENNY WAMPLER: ---correct?

4 MARK SWARTZ: Right.

5 BENNY WAMPLER: So, you're...those are the

6 documents that we should consider to be revised as of today?

7 MARK SWARTZ: The revised...the adverse leased and

8 coal owned or leased, if it says there's a Revised Exhibit A,

9 page two, and it does for B-23 and 25, that's what you should

10 consider and not what was filed with the application.

11 BENNY WAMPLER: Just for clarification what

12 we're---.

13 MARK SWARTZ: No problem.

14 CLYDE KING: That's B-23 and 25?

15 MARK SWARTZ: Right.

16 BENNY WAMPLER: And that's on the footnote that he

17 has on his summary sheet. That's what I'm asking. Is

18 everything included here on the summary sheet that has

19 changed; that's what is being represented?

20 LESLIE K. ARRINGTON: Uh-huh.

21 MARK SWARTZ: Correct. Correct.

22 BENNY WAMPLER: And I was just getting that

23 clarified.

24

1 (Board members review the information.)

2 BENNY WAMPLER: Any questions from members of the
3 Board?

4 DENNIS GARBIS: Yes, Mr. Chairman.

5 BENNY WAMPLER: Mr. Garbis?

6 DENNIS GARBIS: I notice that on B-23 there is 6.8%
7 that are unleased. And I looked in your detail sheet and it
8 looks like there's quite a few people there with a small
9 percentage. Can you give me some background on that so that
10 I can get a better feel for what's going on?

11 MARK SWARTZ: B-23, okay.

12 DENNIS GARBIS: In your Exhibit B-3 list of
13 unleased owners/claimants. It goes on for seventeen pages.
14 If you could provide some---.

15 MARK SWARTZ: Anita, do you want to come up here
16 and see how much fun you have with him?

17 DENNIS GARBIS: I'm sure there's some fascinating
18 tale that's behind this whole thing. So, if you can give us
19 the Reader's Digest condensed version, I'd appreciate it.

20 CLYDE KING: Condensed would be better.

21 MARK SWARTZ: Oh, it will be condensed.

22 ANITA TESTER: You don't have to worry about me
23 staying long.

24

1 DENNIS GARBIS: We wanted to give you an
2 opportunity to shine.

3 (Witness is duly sworn.)

4

5 ANITA TESTER

6 having been duly sworn, was examined and testified as
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. You need to state your name for the record?

11 A. Anita Tester.

12 Q. And who do you work for?

13 A. Consol Energy.

14 Q. And are you the person that's primarily
15 responsible for the exhibits that we deal with everyday?

16 A. Yes.

17 Q. You heard the question that Mr. Garbis
18 asked?

19 A. Uh-huh.

20 Q. Why don't you fill him in on the coal heirs?

21 A. Okay, originally we got the information
22 from...from Harris Hart, which is the attorney that deals
23 with all these all these on our coal lease. And since the

24

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1 last time we'd pulled these, we realized there were some
2 mistakes in their interests and we got several letters from
3 various heirs. To all these interests we had to, you know,
4 rework all those to come up...we got just a little bit over a
5 100%. I think a 100.3%. So, we're a little over. So, I
6 don't know what else to---.

7 Q. Why are there so many people? I mean, when
8 you look at the title, what do you see? Lots of children,---
9 ?

10 A. Yeah.

11 Q. ---lots of estates,---?

12 A. Yeah.

13 Q. ---lots of Wills? Is that what...is that
14 what---?

15 A. Uh-huh.

16 Q. ---you see in the title?

17 A. It started out that Mary Lou Bowen Kroll
18 divided her interest into 1/3. She gave a 1/3 to her
19 brother's children, and a 1/3 to another brother's children
20 and a 1/3 to another brother's and then it goes from there
21 on. So, it's just...I have a huge family tree that I have
22 with me. If you want me to get that out, I will.

23 DENNIS GARBIS: None of these could be leased?

24

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1 ANITA TESTER: We have a coal lease with them.
2 LESLIE K. ARRINGTON: And presently negotiating.
3 ANITA TESTER: Uh-huh.
4 DENNIS GARBIS: So, you're presently negotiating?
5 LESLIE K. ARRINGTON: Yes, we are.
6 DENNIS GARBIS: Quite a few people. You probably
7 know about the family than they do.
8 (Anita Tester laughs.)
9 DENNIS GARBIS: That's all I have, Mr. Chairman.
10 BENNY WAMPLER: Other questions from members of the
11 Board?
12 CLYDE KING: Are you doing all three of these
13 together?
14 MARK SWARTZ: Four.
15 BENNY WAMPLER: Four of them.
16 CLYDE KING: Four of them?
17 BENNY WAMPLER: Yes.
18 CLYDE KING: Mr. Chairman, I move that we approve.
19 BENNY WAMPLER: I have a motion for approval. Is
20 there a second?
21 DENNIS GARBIS: I second.
22 BENNY WAMPLER: Second. Any further discussion?
23 (No audible response.)
24

1 BENNY WAMPLER: All in favor, signify by saying
2 yes.
3 (All members signify by saying yes.)
4 BENNY WAMPLER: Opposed, say no.
5 (No audible response.)
6 BENNY WAMPLER: You have approval.
7 BOB WILSON: Mr. Chairman, could we take a very
8 brief break?
9 BENNY WAMPLER: Sure. We'll take five minutes.
10 (Off record.)
11 BENNY WAMPLER: We're back on the record. The next
12 group that we're talking about, I'm going to go ahead and
13 call all of the units and the docket numbers. We have
14 petitions for pooling of unit number A-28, docket number
15 VGOB-01-10/16-0931; unit B-28, which all of them have the
16 same prefix would VGOB-01-10/16, so, I'm just going to call
17 the last four digits, 0935; unit B-30 is 0936, unit C-21 is
18 0937; unit C-23, docket number 0939; C-28 is 0940; unit C-30
19 is 0941; unit E-27 is 0938; unit F-26 is 0950; unit G-26 is
20 0954; unit YYY-28 is 0958; ZZZ-26 is 0960; ZZZ-27 is 0961;
21 ZZZ-28 is 0962. We'd ask the parties that wish to address
22 the Board in these matters to come forward at this time.
23 MARK SWARTZ: Mark Swartz, Les Arrington and Anita
24

1 Tester.

2 BENNY WAMPLER: The record will show there are no
3 others. You may proceed.

4 MARK SWARTZ: Mr. Chairman, these units involve
5 North American Timber as respondents, Geo Mat, Inc. and
6 Highland Resources, Inc. North American Timber is a
7 subsidiary of Georgia Pacific, I think. Am I right? Or an
8 affiliated company.

9 LESLIE K. ARRINGTON: We'll call it affiliated.

10 MARK SWARTZ: Okay, we'll call it affiliated
11 company. We have been told, and that would be the owner of
12 North American Timber. We have been told that Geo Mat, Inc.
13 and Highland Resources have leases from North American Timber
14 with regard to coalbed methane. There is absolutely nothing
15 of record. So, we're joining them as respondents based on a
16 representation that has been made to us that we have not been
17 able to independently verify in the courthouse. Just so you
18 understand that and for purposes of the elections, although
19 the documents show, you know, that they're like leases. But
20 for purposes of elections, you know, we're going to be asking
21 that, you know, explain, you know, their lease situation if
22 they come forward. But the standard elections would be
23 appropriate. But obviously, you know, if it's leased, only

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1 one election gets made.

2 BENNY WAMPLER: Right.

3 MARK SWARTZ: But I thought we needed to tell you
4 that. And these are the same folks in every one of these.

5 BENNY WAMPLER: Okay.

6 MARK SWARTZ: And one other issue, or matter of
7 background information, if you look at the tract IDs,
8 there's...and if we just take A-28, for example, Tract 2 has
9 Yukon/Pocahontas Coal Company, Buchanan Coal Company and
10 Salyers Pocahontas Coal Company and North American Timber
11 Corp. Basically, what we have here is the situation that...I
12 don't know whether they're a partnership or a joint venture,
13 but these three groups or companies each own a 1/3 of some of
14 the tracts that are common to all of these units. We have
15 been able to enter into a lease arrangement with two out of
16 three of the partners or two out of three of the joint
17 venturers and have been unable to reach an agreement, a
18 voluntary agreement, with the folks that were pooled. So,
19 there's no requirement of escrow here. They have either fee
20 minerals and we have...actually, it's an unusual situation, I
21 guess, have actually two out of three partners have worked
22 something out with us on a voluntary basis. We've negotiated
23 ...we've continued to negotiate but we have not been able to

24

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1 reach an agreement with the 1/3 owner and that's why we're
2 pooling them. Obviously, you know, negotiations are
3 continuing. Who knows?

4

5 LESLIE K. ARRINGTON

6 having been duly sworn, was examined and testified as
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. With that as a background, Les, I'm going to
11 remind you that you're still under oath?

12 A. Yes.

13 Q. You need to state your name for the record?

14 A. Leslie K. Arrington.

15 Q. Is the applicant in all of the pooling
16 applications that we have joined together as group two
17 Buchanan Production Company?

18 A. Yes, they are.

19 Q. Is Buchanan Production Company a Virginia
20 General Partnership that has two partners?

21 A. Yes, it is.

22 Q. Who are the two partners as of this time?

23 A. Consol Energy, Consolidation Coal Company.

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1 Q. Okay. Is Buchanan Production Company
2 authorized to do business in the Commonwealth of Virginia?
3 A. Yes, it is.
4 Q. And with regard to these applications, is
5 the applicant requesting that someone else be the Board's
6 designated operator?
7 A. Yes, it is. Consol Energy.
8 Q. And is Consol Energy a Delaware Corporation
9 A. Yes, it is.
10 Q. Is it authorized to do business in this
11 state?
12 A. Yes, it is.
13 Q. Has it registered with the Department of
14 Mine, Minerals and Energy and does it have a blanket bond on
15 file?
16 A. Yes, it does.
17 Q. Some considerable amount of time ago, did
18 Buchanan Production Company delegate the responsibility for
19 managing its coalbed methane assets to Consol, Inc.?
20 A. Yes, it did.
21 Q. And ultimately that delegation has fallen to
22 Consol Energy, is that correct?
23 A. That's correct.
24

1 Q. And that accounts for Consol Energy's
2 involvement here?

3 A. Correct.

4 Q. Have you and Anita prepared all of the
5 applications and exhibits and notices that we have before us
6 today?

7 A. Yes, we did.

8 Q. And with regard to these...I think there are
9 fourteen units in this group, if I'm not mistaken, with
10 regard to these units are the only revisions those that are
11 identified on the spreadsheet for group two that pertain to
12 unit C-30?

13 A. That's correct.

14 Q. Okay. And with regard to rest of the units,
15 the applications as submitted have not had to be changed?

16 A. That's correct.

17 Q. Okay. Are all of these units Oakwood I frac
18 units?

19 A. Yes, they are.

20 Q. Is there on the plats, and there's obviously
21 a list on the spreadsheet here, but is there one well
22 proposed for each unit?

23 A. Yes, it is.

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1 Q. In all instances, is the well inside the
2 drilling window?
3 A. Yes, it is.
4 Q. And in all instances then will we be talking
5 about producing coalbed methane of gas from the Tiller on
6 down?
7 A. That's correct.
8 Q. And there's a note on the spreadsheet that
9 none of the wells have been permitted to date. I assume
10 that's still the case?
11 A. That's correct, it is.
12 Q. And hopefully then none of them have been
13 drilled either?
14 A. That is correct.
15 Q. Okay. You have included on the spreadsheet
16 an estimated cost, correct?
17 A. That's correct.
18 Q. And an estimate of depth?
19 A. Yes.
20 Q. Are there, in fact, DWEs that you've...or
21 well cost estimates that you've prepared for each one of
22 these units in the documents that were either filed...that
23 were filed originally with these applications?
24

1 A. Yes, there is.

2 Q. And is it your opinion that the costs that
3 you have estimated represents a reasonable estimate of the
4 costs to drill and complete each of these wells?

5 A. Yes, it does.

6 Q. Okay. Do you want to add or subtract any
7 respondents today by joining or dismissing them?

8 A. No, we do not.

9 Q. Okay. What did you do in terms of notice to
10 the respondents?

11 A. Okay. It was mailed by certified
12 mail/return receipt requested on September the 14th of 2001;
13 and it was published on...these group of fourteen was
14 published on various days in the Bluefield Daily Telegraph.

15 Q. In the book that you've given...of exhibits
16 that you've given to the Board members today, is it true that
17 there are copies of the newspaper certificates regarding
18 publication for each of these units and copies of your
19 records and the post office records with regard to the
20 mailings?

21 A. That's correct, it is.

22 Q. And the mail receipt came back from North
23 American Timber without a date on it, did it not?

24

1 A. That's...it did.

2 Q. Okay, and have...have you contacted the post
3 office to determine when North American Timber signed for
4 these applications?

5 A. Yes, we did.

6 Q. And when was that?

7 A. They indicated September the 17th of 2001.

8 Q. At what time?

9 A. 2:20.

10 Q. P.M., right?

11 A. Yes.

12 Q. Okay. What are your standard lease terms
13 that is the offer that you would make to anyone and have made
14 to the folks that you've negotiated with as an opening offer?

15 A. Our standard lease terms is a \$1 per acre
16 per year for a coalbed methane well with a 5 year paid up
17 term with a 1/8 royalty.

18 Q. And is it true that you have had...you and
19 people from your company have had many hours of negotiations
20 with North American Timber's representative?

21 A. That is correct.

22 Q. And do you expect that those negotiations
23 would continue?

24

1 A. We would hope so.

2 Q. Okay. A couple of questions, is it...is it
3 your opinion that the plan for development that's shown in
4 each of these applications, particularly with reference to
5 the plat, is a reasonable plan to develop coalbed methane
6 under the Oakwood I rules in each of these 80 acre units?

7 A. That's correct. It would.

8 Q. And is it also your testimony that the plan
9 that you would propose here as disclosed by these pooling
10 applications would, in fact, protect the interests of the
11 correlative rights of North American Timber, and their
12 lessees, if any?

13 A. That's correct.

14 Q. And we talked about this briefly with regard
15 to the first unit, but I will ask you collectively. Is it
16 true that there is no reason to escrow or to create an escrow
17 account or sub-account with regard to any of these units?

18 A. That's correct. There is not.

19 Q. We're talking about fee minerals?

20 A. That's correct.

21 Q. And we know where these folks are?

22 A. That's correct.

23 Q. Okay. Have you and Anita caused to be
24

1 prepared the "Notes for October 16, 2001 Hearing Group Two"
2 that we've presented to the Board today?

3 A. Yes, we have.

4 Q. And have we...is it your testimony that
5 these notes accurately report the information shown on there
6 that has been extracted from each of the applications?

7 A. Yes, it does.

8 Q. And so they can look quickly at this and get
9 a reference in terms of notice, in terms of what you've
10 leased and what you haven't leased, what you're trying to
11 pool, and information with regard to the well, correct?

12 A. That's correct.

13 Q. And are you offering this page, the group
14 two exhibit, in evidence with regard to these wells?

15 A. Yes, we are.

16 Q. That's all I have of this witness.

17 BENNY WAMPLER: Questions from members of the
18 Board?

19 CLYDE KING: The ones that you had came back that
20 weren't delivered, you published them in the newspaper?

21 LESLIE K. ARRINGTON: I'm sorry?

22 CLYDE KING: The ones...the mail that came back---?

23 MARK SWARTZ: I don't think mail came back.
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1 BENNY WAMPLER: I think he's asking about the
2 one...the exception that you had there. You asked him of
3 time---.

4 MARK SWARTZ: Well, we got the card back from the
5 post office that they delivered it, but they didn't fill in
6 the blanks.

7 CLYDE KING: Okay.

8 MARK SWARTZ: And there's a copy of it in here.
9 You'll see that---.

10 CLYDE KING: I didn't see that. I'm sorry.

11 MARK SWARTZ: If you look at, there's a ticket that
12 says North American Timber Corp. and it has got a list of all
13 the units and there's no signature and they didn't fill in
14 the delivery date.

15 SANDRA RIGGS: Which unit are you on, Mark?

16 MARK SWARTZ: Well, it's true of all of them.

17 CLYDE KING: Okay.

18 MARK SWARTZ: I mean, if you just pick A-28...which
19 one am I looking at, I'm looking at C-21. But, I mean, pick
20 one. There is a card, a North American Timber card because
21 we sent all of them on this card. So, it's the same. And
22 there's a whole list starting with A-27. And the card came
23 back from the post office, you know, minus the package.
24

1 CLYDE KING: Right.

2 MARK SWARTZ: So, we figured it was delivered. But
3 they didn't fill it in. So, we called and they told us that
4 they signed...that was delivered to North American Timber on
5 the 17th at 2:20. Les, have you sent other things to them at
6 this address?

7 LESLIE K. ARRINGTON: We have.

8 MARK SWARTZ: Okay, I mean, you know it's them?

9 LESLIE K. ARRINGTON: Numerous.

10 MARK SWARTZ: Does that---?

11 CLYDE KING: They all come back unsigned?

12 LESLIE K. ARRINGTON: No. Generally they're signed
13 for.

14 BENNY WAMPLER: Do you have consent to stimulate?

15 MARK SWARTZ: We don't need it. Well, we do
16 because it's---.

17 LESLIE K. ARRINGTON: Yes. The coal is leased if
18 that's the question. We have a coal lease with them.

19 MARK SWARTZ: Good question. We probably wouldn't
20 be here if we didn't in a frac well, you know.

21 MASON BRENT: So, none of these have been permitted
22 yet?

23 LESLIE K. ARRINGTON: No, they have not.

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1 MARK SWARTZ: Correct.

2 MASON BRENT: They're all within the window?

3 LESLIE K. ARRINGTON: Yes, they are.

4 (Board members confer among themselves and review

5 the group information in the binders.)

6 CLYDE KING: Mr. Chairman, I move that we approve.

7 BENNY WAMPLER: I have a motion to approve. Is

8 there a second?

9 DENNIS GARBIS: I'll second.

10 BENNY WAMPLER: Motion and second. Any further

11 discussions?

12 (No audible response.)

13 BENNY WAMPLER: You're representing that the notes

14 for October the 16th, group two hearing are...is the

15 information that's extracted from these applications and

16 subsequent information for us to use in preparing of the

17 Board orders?

18 MARK SWARTZ: Yes.

19 BENNY WAMPLER: All in favor, signify by saying

20 yes.

21 (All members signify by saying yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

1 BENNY WAMPLER: You have approval. Thank you.

2 MARK SWARTZ: With that, I would make one...there
3 is a really minor difference, Sandra. If you look at C-30
4 on the summary sheet, the well that's identified on the plat
5 is CBM C-30 with a capital A after it. That's the only...in
6 response to your question, Benny, that's the only change I
7 would make.

8 CLYDE KING: C-30?

9 MARK SWARTZ: Right.

10 BENNY WAMPLER: Had you earlier agreed to yield the
11 floor?

12 MARK SWARTZ: Yes. Are they here?

13 BENNY WAMPLER: Do you have everyone here, Mr.
14 Scott?

15 TIM SCOTT: Yes.

16 BENNY WAMPLER: Okay. We're going to back track a
17 little bit, Board, if I don't get you too confused or me too
18 confused. We're going to go to item #35. Get some different
19 faces up here for a few minutes.

20 DENNIS GARBIS: That's a relief.

21 (Everyone laughs.)

22 TIM SCOTT: Mr. Chairman, what I would like to do
23 is have Mr. O'Neill sworn and then if there's questions about
24

1 the AFE, he'll be available to testify. If the Board has any
2 questions, if that's okay. He's going to sit in the back.

3 BENNY WAMPLER: Okay. I'll go ahead first and call
4 the case and we'll go from there. Thank you. The next item
5 on the agenda is a petition from Dart Oil and Gas Corporation
6 for pooling of a conventional gas unit identified as Byrd #1.
7 This is docket number VGOB-01-10/16-0965; and we'd ask the
8 parties that wish to address the Board in this matter to come
9 forward at this time. Mr. Scott, you can go ahead and
10 identify yourself and the people that are with you.

11 TIM SCOTT: Okay. My name's Tim Scott, counsel for
12 Dart Oil and Gas. I'll let these gentlemen identify
13 themselves.

14 ROBERT POWELL: I'm Robert Powell, a lease realty
15 for Dart Oil and Gas.

16 TIM SCOTT: Mr. Hickley.

17 RICHARD HICKLEY: And I'm Richard Hickley, the
18 engineering manager at Dart.

19 TIM SCOTT: Mr. O'Neill.

20 TOM O'NEILL: Tom O'Neill, the regional manager for
21 Dart, a geologist.

22 BOB WILSON: Mr. Chairman, I have, excuse me. I
23 have a revised AFE that was sent in that we need to---.

24

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1 BENNY WAMPLER: Okay, if you will go ahead and
2 distribute that at this time.

3 (Mr. Wilson passes a copy to each Board member.)

4 (Witnesses are duly sworn.)

5 TIM SCOTT: Mr. Wampler and Ms. Riggs, I've known
6 them for a long time. I haven't been before the Board in a
7 good while. So, if I stumble, pick me up if you don't mind.

8 BENNY WAMPLER: That's fine.

9 TIM SCOTT: Thank you.

10 BENNY WAMPLER: The record will show there are no
11 others appearing today. So, you may proceed.

12 TIM SCOTT: Thank you.

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ROBERT L. POWELL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Would you please state your name?

A. My name is Robert L. Powell.

Q. And where are you employed?

A. I'm a lease broker or an independent broker working for Dart Oil and Gas in Virginia.

Q. Would you please give us a little history about your education?

A. I graduated from Indiana University in 1971 and I'm a member of the American Association Petroleum Landman, where I'm a certified Petroleum Landman, and I'm also a member of the Appalachian Association Petroleum Landman.

Q. How long have you been in this line or work?

A. Twenty-eight (28) years.

Q. Are you familiar with Dart's application seeking a pooling order for unleased and unknown interest for Byrd #1 well?

A. Yes, I am.

1 Q. Are there any respondents listed as unleased
2 on Exhibit A that should be dismissed from this application?
3 A. There are two that should be released.
4 Q. And would you identify those for the Board,
5 please?
6 A. Tract #2.
7 Q. Who's that?
8 A. Ethel D. Hudgins.
9 Q. Okay.
10 A. And Tract #9, Harold Ckinolo and wife, Wanda
11 K. Ckinolo.
12 Q. Okay. Are these parties now under lease to
13 Dart?
14 A. Yes, they are.
15 Q. Okay. Does Dart have...own any drilling
16 rights in the unit involved here?
17 A. Yes, they do.
18 Q. And what percentage of the unit does Dart
19 now have under lease?
20 A. They have 82.32%.
21 Q. Okay. Are you familiar with the drilling
22 rights of parties other than Dart in the unit?
23 A. Yes, I am.

24

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1 Q. Are those interests set forth on Exhibit B
2 to the application?

3 A. Yes, they are.

4 Q. Are there both unleased and unknown heirs or
5 unknown parties listed on the application?

6 A. Yes, we have both.

7 Q. All right. Let me ask you some questions
8 about the parties who are listed as unknown. What efforts
9 did you make to locate these parties, please?

10 A. After checking the courthouse records and
11 checking other courthouses and other states, we looked at old
12 deeds and old leases to get their names and tried to find
13 heirships affidavits or wells in Georgia, California and
14 Virginia.

15 Q. Okay. Were you successful in your
16 endeavors?

17 A. On the ones that we cannot find, we were not
18 successful.

19 Q. Okay. How were these persons given notice
20 of this hearing?

21 A. By certified mail/return receipt.

22 Q. The unknown parties?

23 A. Oh, the unknown parties. By publication in
24

1 the newspaper, the Bristol Herald Courier.

2 Q. Are you continuing to make efforts to locate
3 and identify these parties?

4 A. Yes. We'll continue to try to find these
5 people. And we thought we'd found a couple of them and then
6 got the return receipt back not signed, wrong address. So,
7 we'll continue to look for them as we drill the well.

8 Q. Okay. Let me ask you about the known, but
9 unleased persons listed on Exhibit B.

10 A. Okay.

11 Q. Are the addresses of the respondents set out
12 in Exhibit B?

13 A. Yes, they are.

14 Q. The last known addresses?

15 A. Yes, they are.

16 Q. How were these persons notified of the
17 hearing?

18 A. By certified mail/return receipt with the
19 drill permit and the petition.

20 Q. Okay. Have photocopies of the return
21 receipt cards been provided to the Board previously?

22 A. No, not...yes.

23 Q. Photocopies?

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1 A. Oh, yes, they have.

2 Q. Okay. Are you asking the Board to pool all
3 the unleased interest as listed on Exhibit B?

4 A. Yes, we are.

5 Q. Okay. Some questions about your...the
6 unleased interest and the efforts you made to lease these
7 interests. Are you familiar with bonus and royalty payments
8 in this area and surrounding areas?

9 A. Yes. I've worked these areas for
10 approximately 15 years and are very familiar with that.

11 Q. Can you advise the Board as to what those
12 terms are?

13 A. Approximately \$5 per acre bonus, a \$1 per
14 acre rental for a 5 year lease and 1/8 royalty.

15 Q. In your opinion, do you...do the terms that
16 you've just testified to represent the fair market value and
17 fair and reasonable compensation to be paid for an oil and
18 gas lease within this unit?

19 A. Yes, it would be.

20 Q. Are you requesting the Board to grant the
21 respondents the three election options under Section 361.21
22 of the statute, being participation, a cash bonus of \$5 per
23 net mineral acre, plus a 1/8 of 8/8 royalty or to be a
24

1 carried interest owner?

2 A. Yes.

3 Q. Do you recommend that the order provide that
4 elections by the respondents be in writing and sent to the
5 applicant at Dart Oil and Gas Corporation, 600 Dart Road,
6 Mason, Michigan 48854, Attention: Roger McKinley?

7 A. Yes, I would.

8 Q. And should this address be used for all
9 communications with the applicant concerning any pooling
10 order?

11 A. Yes.

12 Q. Should the Board establish an escrow account
13 into which any proceeds attributable to the unknown interest
14 that we're seeking to pool be paid?

15 A. Yes.

16 Q. And who should be named operator under any
17 pooling order?

18 A. Dart Oil and Gas Corporation.

19 TIM SCOTT: Okay. That's all the questions I have
20 for Mr. Powell, if the Board---

21 BENNY WAMPLER: Any questions of this witness from
22 members of the Board?

23 (No audible response.)

24

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1 BENNY WAMPLER: Call your next witness.

2 TIM SCOTT: Okay.

3

4 RICHARD HENKLEY

5 having been duly sworn, was examined and testified as
6 follows:

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Would you state your name, please?

10 A. Richard Henkley.

11 Q. And by whom are you employed, Mr. Henkley?

12 A. Dart Oil and Gas Corporation.

13 Q. And what's your occupation?

14 A. Petroleum Engineer.

15 Q. How long have you been a Petroleum Engineer?

16 A. Twenty-two (22) years.

17 Q. Where did you get your education in
18 engineering?

19 A. I have degrees in Engineering and Geology
20 from Michigan State University.

21 Q. Okay. Are you familiar with the pooling
22 application now before the Board?

23 A. Yes, I am.

24

--

1 Q. In what aspect?

2 A. I prepared the AFE for the pooling
3 application.

4 Q. Okay. Are you familiar with the total depth
5 of this proposed well?

6 BENNY WAMPLER: Before you...before you go on
7 there.

8 TIM SCOTT: Yes, sir.

9 BENNY WAMPLER: Are you offering him as an expert
10 witness in this matter?

11 TIM SCOTT: Yes, sir. I offer Mr. Henkley as an
12 expert witness in this matter.

13 BENNY WAMPLER: Any questions of that from members
14 of the Board?

15 (No audible response.)

16 TIM SCOTT: Thank you, Mr. Wampler.

17 Q. Are...as I asked before, are you familiar
18 with the total depth of this proposed well?

19 A. Yes, I am.

20 Q. And what is that depth?

21 A. 5970.

22 Q. Mr. Henkley, I'm going to take a side step
23 here for just a moment. We...the application had originally
24

1 included an authorization for expenditure that is different
2 than the one now before the Board. Can you explain that,
3 please?

4 A. That...the new AFE was modified to account
5 for this additional 1000 foot in depth.

6 Q. The original...the original depth was 4900
7 feet, is that correct?

8 A. That's correct.

9 Q. Okay. Are you requesting the Board to pool
10 the conventional gas reserves not only to include the
11 designated formations, but any formations which may be
12 between the formations designated from the surface to the
13 total depth drilled?

14 A. Yes.

15 Q. And you are excluding coal from this, is
16 that correct?

17 A. That's correct.

18 Q. Okay. Would you please tell the Board what
19 the estimated reserves are in the unit?

20 A. We've estimated somewhere between a $\frac{1}{2}$ to $\frac{3}{4}$
21 of a BCF.

22 Q. Okay. We have just briefly touched on the
23 authorization for expenditure. Are you familiar with the
24

1 well...the proposed well costs for this well?

2 A. Yes.

3 Q. Has an AFE been reviewed, signed and
4 submitted to the Board?

5 A. Yes.

6 Q. Okay. Was the AFE prepared by an
7 engineering department knowledgeable in regard to well costs?

8 A. Yes.

9 Q. In your professional opinion, does this
10 represent a reasonable estimate of the well costs under the
11 plan of development?

12 A. I believe so, yes.

13 Q. Okay. An additional matter with regard to
14 the AFE, could you please tell the Board what both the dry
15 hole and completed well costs would be or estimated to be for
16 the well Byrd #1?

17 A. The estimated dry hole cost is \$219,826 and
18 the total well costs \$341,624.

19 Q. Do these costs reflected on the AFE
20 anticipate a multiple completion?

21 A. Yes.

22 Q. And does the AFE cover a reasonable charge
23 for supervision?

24

1 A. Yes.

2 Q. And what is that charge?

3 A. \$6,000. That is for both the drilling and
4 completion.

5 Q. Okay. Would the approval and grant of this
6 application be in the best interest of conservation,
7 prevention of waste and the protection of correlative rights?

8 A. Yes.

9 TIM SCOTT: I don't have any further questions for
10 Mr. Henkley, if the Board has questions.

11 BENNY WAMPLER: One thing we will have to have is a
12 signed...unless you have a signed AFE, we...it's not signed.
13 So, we will need you to put your title and sign it and date
14 it.

15 RICHARD HICKLEY: Okay.

16 TIM SCOTT: We can do that immediately.

17 BENNY WAMPLER: And amend this. Any questions from
18 members of the Board of this witness?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further?

21 TIM SCOTT: No, sir.

22 BENNY WAMPLER: Is there a motion?

23 DENNIS GARBIS: I have a question, Mr. Chairman.

24

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1 BENNY WAMPLER: Oh, I'm sorry. Mr. Garbis?

2 DENNIS GARBIS: I noticed that you're drilling to
3 depths of 5970. I noticed over here was 4970. You're adding
4 another 1,000 feet. Why is that...I'm not sure who the right
5 person to answer this is, why is it you're drilling close to
6 6,000 feet were the other people that have come before you
7 are normally in the 2500 to 3,000 feet depth.

8 TIM SCOTT: I'll let me O'Neill testify to that.

9

10 TOM O'NEILL

11 having been duly sworn, was examined and testified as
12 follows:

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. SCOTT:

15 Q. Mr. O'Neill, before you begin, what is
16 your...what's your name, please?

17 A. Tom O'Neill.

18 Q. And by whom are you employed?

19 A. By Dart Oil and Gas.

20 Q. And what is your position at Dart Oil and
21 Gas?

22 A. I am the Appalachian Region Manager.

23 Q. And what's your educational background?

24

--

1 A. I have a geology degree from the University
2 of Minnesota in 1974.

3 Q. How long have you been a geologist?

4 A. Twenty-seven (27) years.

5 Q. Okay. Now, go ahead and answer the question
6 if you would, please.

7 A. Okay. As we come further South, this is a
8 Wildcat well, the main difference is the thickness of the
9 Devonian shell and that's the reason we've added the other
10 1,000 feet. There's not a lot of control determining the
11 thickness of the Devonian shell; and we want to be sure we're
12 through the entire formation. There's a possibility there
13 may be even some repeat of some of the lower units of the
14 Devonian shell. So, that's the primary difference, is that
15 we're anticipating the Devonian shell to be over 3,000 feet
16 thick.

17 BOB WILSON: Mr. Chairman,---.

18 BENNY WAMPLER: Mr. Wilson?

19 BOB WILSON: ---to clarify as well, most of what
20 you have seen earlier today has been coalbed methane wells.
21 This is a conventional well, going to deep targets.

22 DENNIS GARBIS: Yeah. Uh-huh, yeah.

23 BENNY WAMPLER: Any other questions from members of
24

--

1 the Board.

2 BENNY WAMPLER: Is there a motion?

3 MASON BRENT: Mr. Chairman, I move that we grant

4 the application.

5 BENNY WAMPLER: Motion to grant the application.

6 Is there a second?

7 CLYDE KING: I second.

8 CLYDE KING: Second.

9 BENNY WAMPLER: Any further discussion?

10 (No audible response.)

11 BENNY WAMPLER: All in favor, signify by saying

12 yes.

13 (All members signify by saying yes.)

14 BENNY WAMPLER: Opposed, say no. You have

15 approval. Thank you very much.

16 TIM SCOTT: Thank you very much.

17 RICHARD HICKLEY: Thank you.

18 TIM SCOTT: Thank you for your time.

19 BENNY WAMPLER: If you'll do the AFE and

20 everything.

21 BOB WILSON: Mr. Chairman, I'm not...I didn't...I'm

22 not sure if I caught it, but there is an escrow required for

23 this because there are unknown parties.

24

1 TIM SCOTT: Yes, sir.

2 BOB WILSON: Does that cover...okay, thank you.

3 (Board members confer with individuals from Dart
4 before they leave.)

5 BENNY WAMPLER: The next items for agenda is group
6 three in your notebook that has been provided this morning by
7 Consol Energy. We're calling unit A-26, which is docket
8 number VGOB-01-10/16-0929; U-27, which is 0930; and unit-B-
9 27, which is 0934. We'd ask the parties that wish to address
10 the Board in these matters to come forward at this time.

11 MARK SWARTZ: Mark Swartz, Les Arrington and Anita
12 Tester.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17 Q. Les, I'm going to remind you that you're
18 still under oath, okay?

19 A. Yes.

20 Q. Who's the applicant with regard to these
21 three units?

22 A. Buchanan Production Company.

23 MARK SWARTZ: I would ask that we could incorporate
24

--

1 his previous testimony with regard to the group two cases
2 concerning Buchanan Production and it's---.

3 BENNY WAMPLER: Ownership---.

4 BENNY WAMPLER: ---ownership and so forth.

5 BENNY WAMPLER: That will be incorporated.

6 Q. Les, are all three of these pooling
7 applications made for units in the Oakwood I Field rules?

8 A. Yes, they are.

9 Q. So, they would pertain to the production of
10 coalbed methane on 80 acre units from the Tiller seam on
11 down?

12 A. That's correct.

13 Q. Is there one well proposed for each unit?

14 A. Yes, it is.

15 Q. Is it in the drilling window?

16 A. Yes, it is.

17 Q. Have you submitted cost estimates with
18 regard to each of the wells?

19 A. Yes, we have.

20 Q. And have you reported those estimates on the
21 summary page for the group three cases?

22 A. Yes, we have.

23 Q. And do those estimates represent your...

24

--

1 represent a reasonable estimate of the cost to drill and frac
2 and complete those wells?

3 A. It does.

4 Q. Now, is it true that none of these wells
5 have been permitted or drilled as of today?

6 A. That's correct.

7 Q. In terms of the need for any revisions, if
8 you look at the group three summary sheet, have we listed
9 some of the revised exhibits?

10 A. Yes, we have.

11 Q. Okay. And the Exhibit B-2 and B-3 changes
12 were in response to a communication from Mr. Bottimore,
13 correct?

14 A. To correct the interest, yes.

15 Q. Right. But you...I mean, the respondents
16 called you and---?

17 A. Yes.

18 Q. ---said you've got some issues here you need
19 to collect?

20 A. That's correct.

21 Q. And the interests that are outstanding and
22 that are leased and that are being pooled by these
23 applications have been taken from the Revised Exhibit A, page
24

--

1 two, that's in the stuff that was given to the Board today,
2 correct?

3 A. Correct.

4 Q. Because that would reflect the changes after
5 the respondents contacted you?

6 A. Yes, it is.

7 Q. With regard to the notice and publication
8 here, have you tendered to the Board this morning
9 certificates of publication from the newspaper?

10 A. Yes, we have.

11 Q. And are the dates of publication as are
12 indicated on the group three summary?

13 A. Yes. And published in the Bluefield Daily
14 Telegraph.

15 Q. Okay. And it looks like everything was
16 mailed on the 14th, is that correct?

17 A. That's correct.

18 Q. And have you tendered your company records
19 and post office records with regard to the mailing?

20 A. Yes, we have.

21 Q. Is it your opinion that the plans for
22 development of these three units as depicted on the plats and
23 disclosed by these applications represent a reasonable plan
24

1 to develop coalbed methane from these three Oakwood units?

2 A. Yes, it does.

3 Q. And would you recommend it as a method to
4 protect the correlative rights of the folks that you're
5 pooling, as well as the folks that you've already obtained
6 leases from?

7 A. Yes, it does.

8 Q. Now, I notice here that North American
9 Timber, Geo Met and Highland Resources are again being
10 pooled?

11 A. Correct.

12 Q. And would your testimony be the same with
13 regard to who owns and who may or may not lease and what the
14 status of the record would be that you gave concerning the
15 group two cases?

16 A. That's correct, it is.

17 Q. What's the situation with regard to the need
18 for escrow, if any here?

19 A. Within this group there is no need for an
20 escrow.

21 Q. For any reason?

22 A. No.

23 BENNY WAMPLER: Should we incorporate that
24

1 testimony that you referenced. He said it would be the same
2 for North America---.

3 MARK SWARTZ: Well, I meant to incorporate it. I
4 guess maybe I didn't state it that way.

5 BENNY WAMPLER: I was just...that's fine.

6 MARK SWARTZ: But could we incorporate his prior
7 testimony from the group two cases?

8 BENNY WAMPLER: We'll incorporate that.

9 Q. With regard to dismissals, have you listed
10 the folks that need to be dismissed in Exhibit B-2?

11 A. Yes.

12 Q. And you've stated the reason for that?

13 A. Yes, we did.

14 Q. And we really don't need to add anybody,
15 correct?

16 A. That's correct.

17 Q. Have we carefully compared the information
18 set forth on the summary page for group three to the revised
19 exhibits that are identified on that sheet and to the
20 original applications that were filed so that we can
21 represent to the Board that the group three summary
22 accurately sets forth the information extracted from the
23 several applications and exhibits?

24

--

1 A. Yes, we have.

2 MARK SWARTZ: I'd like to offer that group three
3 summary exhibit into evidence so the Board and the Board's
4 attorney could refer to that in the future.

5 BENNY WAMPLER: It's accepted.

6 MARK SWARTZ: And that's all that I would have of
7 Mr. Arrington at this time.

8 BENNY WAMPLER: Questions from members of the
9 Board?

10 MASON BRENT: If I may?

11 BENNY WAMPLER: Mr. Brent.

12 MASON BRENT: Can you help me with B-2 here? On
13 your summary page on your revisions, you've got for all three
14 units Exhibit B-2 and then in parenthesis to change Robert
15 Bottimore, Jr.'s interest and to dismiss the Galose, however
16 you pronounce it. And then go to B-2, where on there do we
17 change Robert Bottimore's interest?

18 LESLIE K. ARRINGTON: Okay. I believe--.

19 MASON BRENT: Change on B-3 is that what you said?

20 MARK SWARTZ: Let him look at it.

21 LESLIE K. ARRINGTON: Okay.

22 MARK SWARTZ: If you would...if you would refer to
23 the application, let's just stay with A-26.

24

--

1 BENNY WAMPLER: You'd better bring Anita down.

2 LESLIE K. ARRINGTON: That's what it is. Here you
3 go.

4 MARK SWARTZ: If you look at B-3 in the original
5 application, Mr. Bottimore had .02 acres and .025% and by
6 dismissing in the B-2 Exhibit. Did you have any luck finding
7 the original B-3?

8 MASON BRENT: Who me, yeah.

9 MARK SWARTZ: By dismissing the folks that we've
10 listed in the B-2 that we've submitted today and shifting
11 their interest because it turns out that they're not owners,
12 we have then recorded on B-3, and I realize the summary
13 didn't say that, but his interest...Mr. Bottimore's interest
14 has doubled.

15 MASON BRENT: Yeah, I'm with you now.

16 MARK SWARTZ: But you really had to compare it for
17 it to make sense. I'm sorry.

18 MASON BRENT: I'm just having a little difficulty
19 going from book to book to book.

20 BENNY WAMPLER: Other questions?

21 (No audible response.)

22 BENNY WAMPLER: Do you have anything further?

23 MARK SWARTZ: No.

24

1 (Board members confers among themselves.)

2 BENNY WAMPLER: Anita, is there anything else we

3 need to know on this?

4 ANITA TESTER: No.

5 CLYDE KING: Who knows.

6 MARK SWARTZ: I always got to walk the line

7 between---.

8 CLYDE KING: Yeah, right.

9 MARK SWARTZ: But they can't be specific if you

10 want to help them, you know.

11 (Everyone laughs.)

12 MARK SWARTZ: So, if you want to help, you know,

13 the Chairman, you can---.

14 SANDRA RIGGS: Call her as the Board's own witness,

15 is that what we need to do?

16 BENNY WAMPLER: Yeah. Do you want us to call her

17 as an adverse witness?

18 (Everyone laughs.)

19 MARK SWARTZ: With Anita, you never know. She

20 could turn on you at any time.

21 DENNIS GARBIS: That's not a nice thing to say.

22 CLYDE KING: Is that for the record?

23 (No audible response.)

24

--

1 MARK SWARTZ: We have a working relationship. Oh,
2 it's you again.

3 (Everyone laughs.)

4 DENNIS GARBIS: I'm sure you have many working
5 relationships, Mr. Swartz.

6 CLYDE KING: I hope.

7 BENNY WAMPLER: Is there anything further from
8 members of the Board?

9 (No audible response.)

10 BENNY WAMPLER: Is there a motion?

11 DENNIS GARBIS: A motion to approve.

12 MASON BRENT: Second.

13 BENNY WAMPLER: A motion to approve and second.
14 Any further discussion?

15 (No audible response.)

16 BENNY WAMPLER: All in favor, signify by saying
17 yes.

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval.

22 LESLIE K. ARRINGTON: I might make a statement
23 about her. Before Anita started helping me, I might get ten
24

1 ...struggle to get ten documents done. So, you can see what
2 a difference it makes.

3 BENNY WAMPLER: Well, you know I knew who to ask if
4 there was anything else we needed to know.

5 LESLIE K. ARRINGTON: Yes. And I think Bob has
6 talked to Anita on a couple few occasions.

7 BOB WILSON: Yeah. To some degree I would have to
8 agree with Mr. Swartz.

9 (Everyone laughs.)

10 BOB WILSON: At any given time, you never know.

11 (Everyone laughs.)

12 BENNY WAMPLER: Okay. The next items on the
13 agenda, we're going to group four in the notebook that has
14 been provided this morning. It's unit G-44, applicant Consol
15 Energy for pooling of unit G-44, docket number VGOB-01-10/16-
16 0963 and unit H-44, docket number 0964. These are items 33
17 and 34 in the original if you have them in your notebook or
18 your folders, however they're numbered. We'd ask the parties
19 that wish to address the Board in this matter to come forward
20 at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington and
22 Anita Tester.

23 BENNY WAMPLER: The record will show there are no
24

1 others. You may proceed.

2

3 LESLIE K. ARRINGTON

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Les, I'm going to remind you that you're
7 under oath, okay?

8 A. Yes.

9 Q. These are the only two pooling applications
10 where Pocahontas Gas Partnership was the applicant today, is
11 that correct?

12 A. That's correct.

13 Q. And we need to change the notes for group
14 four because over on the left hand corner it has got BPC. Do
15 you see that?

16 A. Yes, it does.

17 Q. So, we...I guess we were kind of in a groove
18 here. But it needs to be PGP, right?

19 A. That's correct.

20 Q. Okay. So, we need to do the standing
21 testimony and so forth because we haven't...these are the
22 first PGP units today, right?

23 A. That's correct.

24

--

1 Q. Who do you work?
2 A. Consol Energy.
3 Q. And what do you do for them?
4 A. Gas Engineer.
5 Q. Okay, did you and Anita prepare the
6 applications, notices and exhibits for these two units?
7 A. Yes, we did.
8 Q. And the applicant here in all...in both of
9 these units is Pocahontas Gas Partnership, is that correct?
10 A. It is.
11 Q. Pocahontas Gas Partnership is a Virginia
12 General Partnership?
13 A. That's correct.
14 Q. And in this situation on these two
15 applications Pocahontas Gas Partnership is also seeking to be
16 the designated operator, is that correct?
17 A. That's correct.
18 Q. Pocahontas Gas Partnership has two partners,
19 correct?
20 A. It does.
21 Q. And who are they?
22 A. Consol Energy and Consolidation Coal
23 Company.
24

1 Q. And has Pocahontas Gas Partnership
2 registered to do business with the Commonwealth?
3 A. Yes, it does.
4 Q. Or in the Commonwealth?
5 A. Yes, it is.
6 Q. Has it registered with the Department of
7 Mines, Minerals, and Energy and has it filed a blanket bond
8 as it's required to do by law?
9 A. Yes, it has.
10 Q. Have you identified the respondents here
11 both on the group four summary and in the notices of hearing
12 for both of these units?
13 A. Yes, we have.
14 Q. Okay. And essentially we're talking about
15 the Rogers family?
16 A. That's correct.
17 Q. And with regard to escrow to flush this out,
18 there is a coal and oil and gas ownership separation, is that
19 correct?
20 A. Yes.
21 Q. And the two Rogers Trusts have entered into
22 a split agreement---?
23 A. Yes, they have.

24

--

1 Q. ---that solves the conflict?

2 A. On a portion of it, yes.

3 Q. On a portion of it. But there are other

4 family members who have an oil and gas interest that do not

5 have a coal interest and so there is going to be a conflict

6 ...there's going to be a requirement for a conflict escrow?

7 A. That's correct.

8 Q. And with regard to both of these

9 applications when you filed them originally there is in fact

10 an Exhibit E which addresses escrow requirements for these

11 two units?

12 A. It does.

13 Q. So, it's in the original applications. Do

14 you need to add anything?

15 A. However, we need to submit---.

16 Q. Okay.

17 A. ---an Exhibit EE reflecting the royalty

18 split between the two trusts.

19 Q. Okay. Okay, and we'll do that. Do you want

20 to add anybody or subtract anybody as a respondent?

21 A. No, we do not.

22 Q. Did you mail and publish?

23 A. Yes, we did.

24

1 Q. And is that information reflected in the
2 summary and the exhibits that were submitted today in terms
3 of what you did and when?

4 A. Yes, it is.

5 Q. Are these also Oakwood I 80 acre units?

6 A. Yes, they are.

7 Q. And therefore would it be true that you're
8 talking about one well per unit?

9 A. That's correct.

10 Q. And are both of these proposed wells in the
11 drilling windows?

12 A. Yes, they are.

13 Q. And my recollection is you probably have
14 permits for these two wells?

15 A. We do.

16 Q. Okay. The estimated cost that you're
17 reporting, is that partly a spent cost? I mean, have the
18 wells been drilled yet?

19 A. No, they have not.

20 Q. So, it's a completed estimate?

21 A. It is.

22 Q. Have you submitted a well cost estimate with
23 regard to both of these units?

24

1 A. Yes, we have.

2 Q. And is the number reported in that estimate
3 and on the summary sheet represent your opinion as to the
4 reasonable cost of drilling and completing and fracing these
5 wells?

6 A. Yes, it does.

7 Q. To the extent that you have...the Board
8 would be required to include an election option for deemed to
9 have been leased and would be required to include lease
10 terms, what terms would you recommend to the Board?

11 A. Our standard lease terms for a coalbed
12 methane lease is a \$1 per acre per year with a 5 year paid up
13 term and a 1/8 royalty.

14 Q. And these wells would produce from the
15 Tiller on down?

16 A. Yes, the will.

17 Q. Is it your opinion that the plan for
18 development that's shown by the applications and particularly
19 the plats that are submitted with the applications, is a
20 reasonable plan to develop the coalbed methane from within
21 and under these two 80 acre units?

22 A. Yes, it will.

23 Q. And would the...is it your opinion that the
24

1 correlative rights of the folks who being pooled and to some
2 extent whose interest are being escrowed, that their rights
3 would be protected by this development plan?

4 A. Yes, it will.

5 Q. That's all I have.

6 BOB WILSON: Mr. Chairman?

7 BENNY WAMPLER: Mr. Wilson?

8 BOB WILSON: I have two letters that we need to put
9 into the record here. One which is dated actually July 18th,
10 2001 from Donald R. Johnson, who is the attorney for the Fon
11 Rogers Estates in certain matters. This is actually in
12 reference to units B-31 and C-32, which were considered
13 earlier by the Board. The initial paragraphs says, "On
14 behalf of Mr. Fon Rogers, II, trustee of Lon B. Rogers
15 Bradshaw Trust #1, as oil and gas owner and Mr. Fon Rogers,
16 II, trustee of Lon B. Rogers Bradshaw Trust #2 as coal owner
17 and submitted to the Virginia Gas and Oil Board a fully
18 executed royalty agreement for the allocation of any royalty
19 payable on production for the proposed coalbed methane units
20 B-31 and C-32.

21 As we discussed by telephone today, this agreement
22 covers all the coal, oil and gas in Virginia owned by the two
23 trusts so that this agreement can be used in the future

24

--

1 should the occasion arise."

2 I have a second letter from Fon Rogers, the trustee
3 of the Lon Rogers trusts, stating that, "Please be advised
4 that the royalty agreement dated July the 17th, 2001
5 previously submitted by certified mail to the Board in regard
6 to the B-31 unit which determines the allocation between the
7 two trusts is allocable to the above referenced units, which
8 are the G-44 unit and the H-44 unit", which we are
9 considering today.

10 "I would appreciate your cooperation in having the
11 agreement recognized at or before the hearing so that the
12 interest of the trust are not designated as conflicting."
13 There are a couple of other thing pointed out in this letter
14 stating that, "Subject coal lease is with Island Creek Coal
15 Company. It is not with Consolidation Coal Company, a
16 reserve coal properties. The lease requires that any
17 assignment be with the consent of the lessor and no such
18 consent has been given."

19 I believe that our copy actually shows the coal
20 lease to be with Island Creek on that piece of property there
21 on our plat. So, that basically is taken care of. The other
22 comment was, "The current lessee of the oil and gas is
23 Equitable Production Company - Eastern States, Inc. The
24

1 subject oil and gas lease has been assigned with my consent
2 as trustee."

3 BENNY WAMPLER: When you refer to B-31, they were
4 considered earlier and not today, at a earlier---?

5 BOB WILSON: At an earlier hearing, yes.

6 BENNY WAMPLER: ---hearing?

7 BOB WILSON: Correct. Correct.

8 BENNY WAMPLER: And you put that in the record in
9 reference specifically to G-44 and H-44?

10 BOB WILSON: Correct.

11 LESLIE K. ARRINGTON: Who was it assigned...who was
12 the oil and gas assigned to, Equitable or Eastern?

13 BOB WILSON: In the---?

14 LESLIE K. ARRINGTON: In that letter?

15 BOB WILSON: In the letter it's one entity,
16 Equitable Production - Eastern States Company or Eastern
17 State, Inc.

18 MARK SWARTZ: Just so there's no confusion because
19 we've been here before on this. There has never been an
20 assignment by the Fon...by the Lon Rogers Trust of any
21 interest leased to anybody to Consol, Pocahontas Gas
22 Partnership or whatever. So, although we have an agreement
23 with Equitable that we've previously shared with you guys,
24

--

1 just so you understand, when he started to run an assignment
2 it didn't run to any...to the applicant or any affiliates of
3 the applicant.

4 BENNY WAMPLER: Neither of those letters reflect
5 objections to these poolings?

6 BOB WILSON: They do not.

7 SANDRA RIGGS: The language in the prior B-32 and
8 B-31 and C-32 with respect to your agreement with Equitable,
9 are they applicable to this hearing?

10 MARK SWARTZ: As I have modified them and sent them
11 back to you, yes.

12 SANDRA RIGGS: Okay.

13 MARK SWARTZ: In a nutshell, to remind the Board,
14 we agreed to honor the production royalty clauses of the
15 leases even though they weren't been assigned to us. In a
16 nutshell, we agreed to do that.

17 BENNY WAMPLER: Questions from members of the
18 Board?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further, Mr.
21 Swartz?

22 MARK SWARTZ: No.

23 BENNY WAMPLER: Is there a motion for approval?
24

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1 DENNIS GARBIS: I make a motion to approve.

2 BENNY WAMPLER: Motion to approve.

3 MASON BRENT: I second.

4 BENNY WAMPLER: And second. Any further
5 discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying
8 yes.

9 (All members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval. Do you need
13 some time or are you ready?

14 MARK SWARTZ: We're ready.

15 BENNY WAMPLER: The next items to be considered in
16 group five of the notebook. I'll go ahead and call unit E-
17 21, docket number VGOB-01-10/16-0945; unit F-21 is 0951; unit
18 G-27 is 0955; unit H-27 is 0956; unit I-30, 0957. We'd ask
19 the parties that wish to address the Board in this matter to
20 come forward at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington and
22 Anita Tester on behalf of Buchanan Production Company.

23 BENNY WAMPLER: The record will show there are no
24

1 others. You may proceed.

2 MARK SWARTZ: Just by way of introduction, you'll
3 notice that the pooled parties, if you'll look at the group
4 five summary, we've got North American Timber, Geo Met, and
5 Highland again and the addition here that caused this
6 grouping was the railroad, Norfolk Southern. I would request
7 that we be allowed to incorporate the prior testimony from
8 the group two cases regarding North American Timber and the
9 ownership and lease discussion that we had.

10 BENNY WAMPLER: That will be incorporated.

11 MARK SWARTZ: I would also ask to incorporate from
12 the group two hearing the testimony with regard to the
13 partnership authority of Buchanan Production, Consol Energy's
14 situation with regard to the Commonwealth in terms of its
15 bonding and so on and so forth, the delegation of management
16 responsibility, the fact that we're talking about Oakwood I
17 units, and the testimony with regard...the opinion testimony
18 with regard to the plan of development and protection of
19 correlative rights.

20 BENNY WAMPLER: That will be incorporated.

21 MARK SWARTZ: Then to deal with issues that have
22 not been incorporated, okay.

23

24

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1 LESLIE K. ARRINGTON

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. ARRINGTON:

4 Q. There is one frac well proposed for each of
5 these units, is that correct?

6 A. That's correct.

7 Q. And did the plats show that each of the
8 proposed wells is, in fact, inside of a drilling window?

9 A. Yes, it does.

10 Q. Have any of these wells been drilled?

11 A. No.

12 Q. And I assume...have any of them been
13 permitted?

14 A. No.

15 Q. So, are the estimated cost figures two
16 estimates then?

17 A. Estimates only.

18 Q. Okay. Have you submitted a cost estimate
19 with regard to each of the proposed wells with each of the
20 original applications?

21 A. Yes, we did.

22 Q. And does the total number shown on each of
23 those cost estimates represent your opinion with regard to
24

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1 the reasonable cost to drill, frac and complete those wells?

2 A. Yes, it does.

3 Q. The only revision or revised exhibit that
4 we're dealing with is concerning unit I-30 that's noted on
5 the summary page, is that correct?

6 A. It is.

7 Q. Have you and I and Anita undertaken to
8 carefully compare the information on the group five summary
9 to the base data in the five applications that are combined
10 here?

11 A. Yes, we did.

12 Q. And is...and is it our representation to the
13 Board collectively that the numbers and information reported
14 on the group five summary exhibit truly represent what was
15 set forth in each of the applications?

16 A. Yes, it does.

17 Q. What is the situation with regard to the
18 need for escrow here, and take it a unit at a time?

19 A. Yes. For E-21, F-21, G-27 and H-27, there
20 will be a need for escrow.

21 Q. And what's the reason?

22 A. Due to basically Norfolk Southern owning the
23 oil and gas and coal...the oil, gas and coal---.

24

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1 Q. Above---?

2 A. ---above 800 feet and then the oil and gas
3 is in conflict with the coal owner from that point down.

4 Q. Okay, C. L. Ritter owns the coal, or
5 somebody owns the coal from 800 feet down---?

6 A. That's correct.

7 Q. ---and that's the conflict?

8 A. That's correct.

9 Q. Okay. Is there a requirement for escrow in
10 I-30?

11 A. No.

12 Q. And I take it from your testimony that there
13 is no need to escrow for any reason other than the conflicts
14 in the four units that you've talked about?

15 A. That's correct.

16 Q. So, we don't have an unknown or unlocateable
17 problem?

18 A. That's correct.

19 Q. Okay. Would it be your recommendation to
20 the Board that any order that they might enter concerning
21 folks who were deemed to have been leased after the election
22 period and what terms might be deemed to apply that you would
23 recommend what to the Board in terms of lease terms?

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1 A. Our standard lease terms are a \$1 per acre
2 per year with a 5 year paid up term and 1/8 royalty for a
3 coalbed methane lease.

4 MARK SWARTZ: That's...other than offering in
5 evidence the group five summary sheet, that would be all that
6 I would have at this time.

7 BENNY WAMPLER: Questions from members of the
8 Board?

9 CLYDE KING: So, we only have two---.

10 (Ms. Riggs confers with Mr. King.)

11 CLYDE KING: I move we approve, Mr. Chairman.

12 BENNY WAMPLER: Motion for approval. If you'll
13 give me one second. I'm just checking on your note...I-30
14 Revised Location Plat.

15 MARK SWARTZ: Uh-huh.

16 BENNY WAMPLER: It might just not be in my
17 notebook. But I don't have it.

18 MARK SWARTZ: I don't have it either.

19 LESLIE K. ARRINGTON: Okay, what is the location
20 plat, this was...what we're correcting, I hope I can get it
21 out of here.

22 BENNY WAMPLER: I have that.

23 LESLIE K. ARRINGTON: Okay, that's...that's what
24

1 the revision is and we actually...what we had in the
2 application was the wrong square marks.

3 SANDRA RIGGS: So, it's Exhibit A-1 plat?

4 LESLIE K. ARRINGTON: Yes. Uh-huh.

5 BOB WILSON: If I could back up for a second, is
6 that the same situation in H-44, because it also said Revised
7 Plat and there wasn't---?

8 LESLIE K. ARRINGTON: It was.

9 MARK SWARTZ: Right. It's not the well plat. It's
10 the---.

11 BOB WILSON: The plat location---.

12 MARK SWARTZ: ---grid plat.

13 LESLIE K. ARRINGTON: Yeah, for publication.

14 BENNY WAMPLER: Yeah. All right.

15 CLYDE KING: We maybe weren't ready yet.

16 BENNY WAMPLER: The motion is fine. I was just...I
17 had...I was looking at that and I didn't want to lose my
18 place.

19 MARK SWARTZ: I had the same problem---.

20 BENNY WAMPLER: That was fine. If anything, I
21 should have carried on and see if I had a second and then
22 questioned. But anyway, I have a motion for approval. Is
23 there a second?

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1 (Ms. Riggs confers with Mr. Wilson.)

2 MASON BRENT: Mr. Chairman, I second the motion.

3 BENNY WAMPLER: Motion and second. Any further

4 discussion?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying

7 yes.

8 (All members signify by saying yes.)

9 BENNY WAMPLER: Opposed, say no.

10 (No audible response.)

11 BENNY WAMPLER: You have approval.

12 (Off record discussion.)

13 BENNY WAMPLER: Are you ready for the last

14 grouping?

15 MARK SWARTZ: Yes, we are.

16 BENNY WAMPLER: The next items for agenda are unit

17 D-23, which is docket number VGOB-01-10/16-0942; unit E-22,

18 0946; unit E-23, 0947, unit F-22, 0948; and unit F-23 is

19 0949. We would ask the parties that wish to address the

20 Board in this matter to come forward at this time.

21 MARK SWARTZ: Mark Swartz, Les Arrington and Anita

22 Tester and with regard to these five units would be on behalf

23 of the applicant Buchanan Production Company.

24

1 BENNY WAMPLER: The record will show there are no
2 others. You may proceed.

3 MARK SWARTZ: I would ask that...ask permission to
4 incorporate from the group two hearing the testimony with
5 regard to Buchanan Production Company's status as a
6 partnership with regard to its partners and delegation of
7 authority; to incorporate the testimony with regard to Consol
8 Energy's involvement as accepting a designation of authority,
9 the testimony generated with regard to the fact that these
10 frac units under the Oakwood I rules and what that means;
11 the testimony with regard to standard lease terms that are
12 offered generally to folks to lease in reference Board
13 orders; and the opinion testimony with regard to the plan to
14 develop and the protection of correlative rights.

15 BENNY WAMPLER: Those will be incorporated.

16

17 LESLIE K. ARRINGTON

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. Mr. Arrington, let's now turn to some of the
21 specific things we need to talk about concerning the group
22 six matters. First of all, I'd just like you to confirm that
23 these are indeed Oakwood I units?

24

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1 A. Yes, they are.

2 Q. And how many wells are proposed for each
3 units?

4 A. One.

5 Q. And where are they located in each instance?

6 A. Within the drilling window.

7 Q. Okay. Are there permits for any of the
8 wells?

9 A. No.

10 Q. So, then we can safe to assume none of them
11 have been drilled, right?

12 A. That's correct.

13 Q. Have you provided a cost estimate with
14 regard to the proposed well for each of the units?

15 A. Yes, we have.

16 Q. And then have we reported those estimates on
17 the group exhibit?

18 A. Yes, we have.

19 Q. Is it your opinion that those estimates are
20 a reasonable...represent a reasonable cost to drill, frac and
21 complete each of these wells?

22 A. Yes they do.

23 Q. And are the depths your best estimate as to
24

1 where the seams will be encountered and, in fact, drilled
2 slightly through, I suppose, the last seam?

3 A. Yes, it is.

4 Q. Okay. With regard to publication and
5 mailing, looks like you mailed to everybody on the same day,
6 is that right?

7 A. Yes, it is, September the 14th.

8 Q. And then on publication, is there in fact in
9 the exhibits that the Board got today a certificate of
10 publication from the newspaper showing the several dates on
11 which the information was published?

12 A. Yes.

13 Q. The pooled parties here on the group
14 exhibit, you've identified certain pooled parties. Do you
15 see that?

16 A. Yes.

17 MARK SWARTZ: I'd like to incorporate your
18 testimony from the group two cases regarding the ownership
19 interest of North American and the potential relationship
20 between North American, Geo Met and Highland Resources, if I
21 can do that?

22 BENNY WAMPLER: That will be incorporated.

23 Q. Now, you've got Crenshaw's and Eastern
24

1 American Energy Corp., is that a lease situation? What's the
2 story?

3 A. Yes, it is.

4 Q. Okay, so Eastern American has leased some of
5 the Crenshaw's or all of them?

6 A. All of them.

7 Q. Okay. So, the pooling election would
8 essentially be Eastern American's if they chose to---?

9 A. That's correct.

10 Q. And the revisions, you'll notice here, we
11 have listed certain exhibits that have been revised with
12 regard to all five of the units?

13 A. That's correct.

14 Q. Is it true that the revisions were provoked
15 because you got a lease from Sarah Ann Baldwin?

16 A. That's correct.

17 Q. So, the B-2 in all instances dismisses her
18 as a leased party?

19 A. Yes, it does.

20 Q. And then, of course, we had the Revised B-3
21 because we're pooling less folks?

22 A. That's correct.

23 Q. And the percentages in A-2, page...Exhibit
24

1 A, page two, would have gone down because you show one more
2 lease?

3 A. That's correct.

4 Q. Have you reported in the spreadsheet for the
5 group six units the percentages from the Revised Exhibit A,
6 page two, that was given to the Board today?

7 A. Yes, we have.

8 Q. Okay, so that's updated information?

9 A. Yes.

10 Q. What's...what's the situation regarding the
11 need for escrow, if any?

12 A. Okay, within all of these units, there's no
13 need for an escrow.

14 Q. So, everybody has got fee minerals?

15 A. Yes.

16 Q. And is there any need...and I take it then
17 there's no need to escrow for unlocateables or address
18 issues?

19 A. No.

20 Q. Correct?

21 A. Correct.

22 BOB WILSON: Mr. Chairman, you...unless this has
23 changed since the original application, you show a Michela
24

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1 Baldwin address unknown as an owner. I'm looking right now
2 at...under E...unit E-22, Tract 2.

3 LESLIE K. ARRINGTON: You're correct. I'm sorry.

4 MARK SWARTZ: Let's look at...lets go through them
5 and look at the Revised---.

6 LESLIE K. ARRINGTON: I thought that we got that
7 actually.

8 (Mr. Arrington confers with Anita Tester.)

9 LESLIE K. ARRINGTON: Okay, we do have an address
10 for her now and we have mailed her a lease.

11 MARK SWARTZ: So, since filing, we've obtained an
12 address?

13 LESLIE K. ARRINGTON: Yeah.

14 MARK SWARTZ: So, what we need to do, though, for
15 their purposes is we need to submit an amended B-3 probably
16 to show an address so that that gets attached to the Court
17 order.

18 LESLIE K. ARRINGTON: Okay.

19 MARK SWARTZ: Okay.

20 Q. Other than the dismissals in B-2, is there
21 any other dismissals today?

22 A. No.

23 Q. Do you wish to add anybody with regard
24

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1 to...as a respondent in any of these units?

2 A. No.

3 MARK SWARTZ: Okay. That's all I would have at
4 this point except that I would like to offer...well, let me
5 back up. We would collectively represent to the Board that
6 Les and Anita and I have carefully compared the spreadsheet
7 group six to the base information in the original exhibits or
8 the revised exhibits and would represent to the Board that it
9 states accurate information without exception, and we would
10 therefore offer the group six summary exhibit into evidence.
11 And then with that caveat, that would be all that I would
12 have.

13 BENNY WAMPLER: Any questions from members of the
14 Board?

15 (Board members review the notes and confer among
16 themselves.)

17 BENNY WAMPLER: No questions. Is there a motion?

18 DENNIS GARBIS: I make a motion to approve.

19 BENNY WAMPLER: I have a motion to approve. Is
20 there a second?

21 CLYDE KING: Second.

22 BENNY WAMPLER: Any further discussion?

23 (No audible response.)

24

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1 BENNY WAMPLER: All in favor, signify by saying
2 yes.

3 (All members signify by saying yes.)

4 BENNY WAMPLER: Opposed, say no.

5 (No audible response.)

6 BENNY WAMPLER: You have approval. Thank you very
7 much.

8 (Per Mr. Wampler, do not type off record
9 discussion.)

10 BENNY WAMPLER: Mr. Wilson?

11 BOB WILSON: We have a couple of items of Board
12 business we need to look at before we get out of here.
13 Number one, the quarterly report from First Union on the
14 escrow account. I'll pass those down. Basically, deposits
15 for the quarter, \$422,891.72 earned \$51,211.72 in interest
16 and we paid out \$9,724.56 and there are some other
17 disbursements pending, too, that were approved during that
18 period of time. We're earning 3.24%, which is probably about
19 the best anybody is getting right now. Again, the account
20 review that you see here, they represent the \$5,000 fee being
21 extracted each month. However, they're only doing that twice
22 a year, which is fine from our standpoint. So, the actual
23 balance that they show on our report is more than what they

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1 show here because they have not actually removed that money
2 from the account yet. Showing a balance of \$6,181,329.41 as
3 of the end of September. And there's a statement back here
4 about some internal auditing that they did and found some
5 mistakes and they corrected everything.

6 All and all, it has been moving pretty smoothly.
7 We have continued to work with them on some minor items that
8 we find from month to month. I'm sure you're all aware that
9 Consol has bought out Conoco's interest in Pocahontas Gas
10 Partnership and that is going to solve a lot of our problems
11 because a lot of our problems have been with Conoco's
12 accounting and responsiveness. We had a major problem
13 getting them to correct things and then provide data the way
14 we needed it and that sort of thing. The outfit that does
15 the accounting for Consol otherwise, I can't remember the
16 name of it now. It's a Canadian outfit. But it's excellent.
17 They're very responsive. They've been extremely easy to
18 work with and everything will go to there now once all of
19 this has changed over. So, that should solve a lot of our
20 problems right there.

21 Again, in general, it's moving very smoothly and
22 things have gotten down to pretty much a routine. We still
23 have regular conversations with them. But that was...if you

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1 remember one of the problems we had initially was there would
2 be a problem and they wouldn't contact us. Now, we get e-
3 mails, we get phone calls immediately. We work them out. If
4 they have, which occasionally happens, payments coming in
5 that aren't properly attributed, they either have an
6 incorrect VGOB number on them or no VGOB number, they
7 routinely contact us before they handle it and then in
8 general send it back and send us a copy of it so that we have
9 a record of those monies being returned as well. So, it's
10 working out quiet nicely right now.

11 MASON BRENT: That's good to hear.

12 BENNY WAMPLER: Any questions on the statement?

13 CLYDE KING: That's a bunch of money.

14 DENNIS GARBIS: You would think they could do
15 better than 3.6...3.69%.

16 BOB WILSON: It's down to 3.24 in the last---.

17 DENNIS GARBIS: I mean if you were to invest that
18 in government securities. \$100,000 G-bill or something I
19 think it would be right close to---.

20 BOB WILSON: Well---.

21 SANDRA RIGGS: Didn't we tell them to leave them in
22 overnight funds totally? Their proposal was based on---.

23 BOB WILSON: Money market.

24

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1 SANDRA RIGGS: ---money market, I think, and we
2 approved that investment scheme up front, I believe. So, if
3 we had...if we wanted to change our investment instructions
4 to them, I think we would have to revisit that.

5 DENNIS GARBIS: I mean, I'm just saying, and I
6 don't track them on a daily basis, there's smarter people
7 that could tell us about that, but I just happened to hear on
8 the radio that apparently there are some government bonds
9 that are almost like 5.9%.

10 CLYDE KING: Yes, they are.

11 BOB WILSON: There is...there are limits to what we
12 can invest this money in since it's basically a government
13 controlled fund.

14 DENNIS GARBIS: Yeah.

15 MASON BRENT: We have to keep it---.

16 BOB WILSON: I don't know what those limits are.

17 MASON BRENT: We have to keep this money...we have
18 to keep this money fairly liquid in case people come and want
19 it.

20 DENNIS GARBIS: Yeah. Well, you could...you could
21 maintain your liquidity by having different denominations of
22 it.

23 CLYDE KING: We're not passing it out, liquid
24
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1 though, are we?

2 DENNIS GARBIS: I mean, just as a suggestion.

3 CLYDE KING: It's available. But how long has it

4 been since you paid any out?

5 BOB WILSON: Well, we paid out \$9,724 over this

6 quarter and we have some others pending.

7 CLYDE KING: Which is a very small amount.

8 BOB WILSON: Yeah, a very small amount. But

9 actually, we've paid out more frequently lately.

10 SANDRA RIGGS: We probably have \$200,000 worth

11 pending. There were five disbursements last month and then

12 two from the Henry Keuling-Stout applications.

13 BENNY WAMPLER: We've got over, I guess...since

14 we've started we're approaching---

15 BOB WILSON: Over 2,000,000.

16 BENNY WAMPLER: Yeah. That we've paid out.

17 BOB WILSON: Actually, I can...I think I've got

18 most of that information and I can probably, with this

19 quarterly report, provide you with a running account of the

20 growth of this thing. I mean, just in graph form, how the

21 account has grown and where we've paid out and how much.

22 BENNY WAMPLER: And certainly, you know, with an

23 account this large we may want to revisit...in looking back

24

1 and then looking forward, we may want to revisit with the
2 escrow agent the investment.

3 DENNIS GARBIS: Yeah, I think...I mean, we owe to
4 the people to try to...I mean, if we can get an extra
5 percentage or two---.

6 BENNY WAMPLER: It would be worth talking to them.
7 Ask them to come in with some recommendations. Tell them
8 considerations, tell them here's the history---.

9 DENNIS GARBIS: Within the guidelines.

10 BENNY WAMPLER: ---and ask them to come in and
11 we'll talk with them.

12 BOB WILSON: Sure.

13 DENNIS GARBIS: Does the guidelines...are there
14 legal guidelines we have to follow?

15 SANDRA RIGGS: They're statutory as to what they
16 can put the monies.

17 DENNIS GARBIS: Okay, that's fine. I'm sure
18 investing it, you know, United States Government securities
19 isn't considered a---.

20 CLYDE KING: That should be blue chip.

21 DENNIS GARBIS: Yeah, I think that would be fine.
22 I'm just trying to get some extra bang for your dollars.

23 CLYDE KING: When are they going to become
24

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1 Wachovia? Have they said yet?

2 BOB WILSON: No. We got...well, we got a phone
3 call the day it was first announced telling us that nothing
4 was changing and that they were...that the account would go
5 along with First Union forever...until...in other words,
6 there was going to be continuity in the handling of the
7 account and such. We got letters from them as official acts
8 were taken. Usually we get a letter just before press
9 release just basically stating that there was continuity in
10 all the operations. But so far as dates, I don't have any as
11 to what they're going to...how they're going to do it.

12 DENNIS GARBIS: Well, you can call your
13 relationship manager there.

14 BOB WILSON: I can. I like that. Actually this
15 is---.

16 DENNIS GARBIS: Relationship manager.
17 (Everyone laughs.)

18 DENNIS GARBIS: So what does that tell you? I wish
19 I had some relationship manager call me.
20 (Everyone laughs.)

21 BOB WILSON: Actually, I don't know...I'm not sure
22 if they invented that title for us or not. But it certainly
23 worked out having her as a relationship---.

24

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1 MASON BRENT: Dennis, if you put \$6,000,000 bucks
2 in an account with them, you'll have a relationship.
3 (Everyone laughs.)
4 BOB WILSON: Yeah, that's right.
5 DENNIS GARBIS: I think you hit the nail right on
6 the head. Oh, well. So, much for dreams, uh?
7 CLYDE KING: Yeah, boy.
8 BOB WILSON: Anything else on the escrow account?
9 (No audible response.)
10 BENNY WAMPLER: Did you have anything further?
11 BOB WILSON: Yes. We have gotten a draft report
12 back from...if you remember way back, we authorized an audit
13 of the escrow account for the three years ending 1999, which
14 brought us up to the end of First Virginia and its
15 predecessors and end to the time that First Union took over
16 the fund and this is a draft report. I'll give each of you a
17 copy of it today and will mail out copies to the Board
18 members who are not here. What we would like to do is get as
19 quickly as possible any comments that we want to pass along
20 to the accountants on this and would like if it's
21 satisfactory to the Board to coordinate that and you get
22 those comments to me so that we can take them all to them as
23 a unit rather than trying to correspond separately.

24

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1 Included in this package is a draft letter that
2 they have put together to be signed by the Board Chairman and
3 they have treasurer, I presume that would probably end up
4 being me as well on that since I usually co-sign the orders
5 and such, making certain statements regarding the audit and
6 the Board's business. You need to review that and see if
7 we're willing to sign that letter and return it to them as
8 well.

9 Basically, the report is...they give us the
10 assurances that we want. It's not particularly detailed and
11 there's a few things in here that I would correct with them,
12 just factual things relative to how the Board works and how
13 the escrow account works and how we do pay outs and this sort
14 of thing. But so far as the actual audit and such, I wait
15 your direction on that.

16 One thing that you will notice, they have
17 recommended that we go to a more frequent audit on this
18 account since it has gotten so large and so complex and the
19 money is coming in and being paid out more frequently now.
20 The auditor actually recommends that we go to a yearly audit
21 on this thing now. Of course, he has an interest in this as
22 well because he has got the bid the past two times. However,
23 I do think that this is a recommendation that we need to

24

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1 consider while we're looking at this. We're coming up on two
2 years with First Union at the end of this calendar year and I
3 would suspect that the first audit with First Union will be a
4 little bit messy owing to the problems that we had with the
5 transition from one bank to the other and would suggest that
6 we might not want to let it get too far down the road before
7 we attend to that.

8 What...as far as this audit is concerned, I can
9 vouch for the fact that Robertson, Farmer and Cox solicited
10 enormous amounts of information from the operators because I
11 had to kind of pound on them to help them get that
12 information to them in a timely fashion. But under the
13 assumption, they looked at a major portion of what they
14 requested and were given. They've been through a lot of
15 paperwork on this. We furnished them records from First
16 Virginia for the three year period and they had...they used
17 those as well.

18 So far as the actual handling of information, it
19 appeared to have been a very thorough look at what occurred
20 during that period of time and they were able, as you'll see
21 in here, to account for almost every transaction. But there
22 were some that were just not available to them. There were
23 some records that they never got. Some that they needed from
24

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1 First Virginia that we were never supplied and that we were
2 unable to get from First Virginia. I might say that our
3 experience with the audit this time, I think maybe it meant
4 some justification to the action when we took when we changed
5 escrow agents. We've gotten considerably more cooperation
6 out of the people we're dealing with now then we did here.
7 Of course, the fact that they had lost the contract, I'm sure
8 didn't encourage them to cooperate greatly. But we weren't
9 able to get a lot of the information we needed in a timely
10 fashion from First Virginia. We ended up digging it out our
11 self for the most part.

12 DENNIS GARBIS: Can we make a decision now that
13 we're going to go ahead and maybe at the end of this two
14 year...at the end of the calendar year? Is that an
15 appropriate time to go ahead and do another audit?

16 BOB WILSON: In my opinion, it would be an
17 appropriate time...appropriate break to schedule an audit
18 after the end of this calendar year.

19 CLYDE KING: That sounds like a good idea.

20 MASON BRENT: One thing that we may want to
21 consider is not...on an annual basis not doing a full blown
22 audit, but maybe do a full blown audit every other year and
23 have them just come in on an annual basis and do an

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1 abbreviated audit.

2 BOB WILSON: I...and this is pure speculation, of
3 course, but I suspect that being with First Union, this first
4 one is not going to be a real good. But I think the last
5 year will be very slick. They've got records. They know how
6 to get to them and they can provide the information that's
7 needed right away and I think that...I think we'll have
8 better records to deal with in the future from what I've
9 seen.

10 DENNIS GARBIS: Do we vote on this or should you
11 make a proposal or---?

12 BENNY WAMPLER: You certainly can regarding the
13 next audit.

14 CLYDE KING: I think we should.

15 DENNIS GARBIS: Okay, I'll make a proposal that
16 we...do you want to do an audit for just the year 2000 or do
17 you want to include 2000 and 2001?

18 BOB WILSON: My suggestion would be to include both
19 years and go ahead and bring it up to--.

20 DENNIS GARBIS: To the current.

21 BOB WILSON: ---the end of the calendar year.

22 CLYDE KING: 2000 and 2001?

23 MASON BRENT: You shouldn't leave a year out.

24

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1 DENNIS GARBIS: Well, I'm just saying if it's going
2 to be that difficult, maybe concentrate on that, and then
3 maybe six months from now do that. But it doesn't make any
4 difference. So, my proposal would be---.

5 SANDRA RIGGS: Once they're in it, they're in it.

6 DENNIS GARBIS: ---that we conduct an audit for the
7 calendar years 2000 and 2001.

8 BENNY WAMPLER: Okay. Is there a second?

9 CLYDE KING: Second.

10 BENNY WAMPLER: Any further discussion?

11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying
13 yes.

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: Then that will done.

18 BOB WILSON: Okay, uh---.

19 CLYDE KING: Has anybody heard anything...excuse
20 me. I'm sorry.

21 BOB WILSON: One more comment on that. We will
22 then go ahead and start preparing an RFP on this such that we
23 can get it out shortly after the first of the year. We'll...
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1 we'll put it out, I guess, in long enough time to make sure
2 the records have caught up and the end of the year balance
3 would be available. But we'll go ahead and start preparing
4 an RFP for after the first of the year.

5 BENNY WAMPLER: One thing on that when we do the
6 RFP consistent with what Mr. Brent said, if it's acceptable
7 to the Board, we could say to do the comprehensive audit for
8 that two year period and then receive bids for preliminary or
9 an abbreviated audit and then a comprehensive audit. In
10 other words, abbreviated the following year and do that at
11 one time and have that covered.

12 DENNIS GARBIS: There's three levels of audit.
13 There's a compilation, a review and a full certified audit.

14 BENNY WAMPLER: Right.

15 DENNIS GARBIS: I presume this is the highest
16 level.

17 BENNY WAMPLER: This is a certified audit.

18 MASON BRENT: The basic difference is---.

19 DENNIS GARBIS: I don't know. There may be some
20 statutory requirements prohibiting...I mean, I don't know.
21 Normally for business you can...you have somewhat less---.

22 SANDRA RIGGS: This is such a hybrid. Normally
23 government has its own, or state government, has its own

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1 internal auditors. They don't use outside auditors. But
2 because this is...we're more in a fiduciary, these aren't
3 government funds. The funds belonging to others, we went the
4 extra step of saying we need an independent outside audit.
5 So, you don't have---.

6 BENNY WAMPLER: Not really the controls that you'd
7 have as a business.

8 SANDRA RIGGS: You don't have any statutory
9 guidelines that fit this particular situation. This may be
10 the only case in state government where a Board is
11 controlling funds belonging to third parties.

12 DENNIS GARBIS: How much did this cost?

13 BOB WILSON: This one was \$4500.

14 DENNIS GARBIS: 4500?

15 BOB WILSON: Yes. They---.

16 DENNIS GARBIS: Oh, that's nothing.

17 BOB WILSON: Well, the next one will be
18 considerably...I would think if they bid on it will be
19 considerably higher because they...he said that...the auditor
20 said that if this wasn't happening during their slack time,
21 they would have been really hurting.

22 DENNIS GARBIS: Well, I'll tell you what, if you
23 got all of this for 4500, man, that's a steal at five times
24

1 the price.

2 BOB WILSON: Oh, yes.

3 BENNY WAMPLER: Oh, yeah, it is.

4 DENNIS GARBIS: They should have charged way

5 more---.

6 SANDRA RIGGS: And this firm does audits for many,

7 many government agencies. That's their speciality.

8 BENNY WAMPLER: Yeah, they're well known. Yeah, we

9 got a good deal.

10 BOB WILSON: They did the previous audit as well,

11 but, of course, there was many fewer accounts and there were

12 many fewer operators and many fewer dollars in the account.

13 BENNY WAMPLER: They know what they're dealing with

14 now.

15 DENNIS GARBIS: We got them on the first go around.

16 That's not going to happen the second time around.

17 BOB WILSON: No. We won't sneak up on them again,

18 I don't think.

19 MASON BRENT: They'll probably want to make up the

20 difference on the next ones.

21 DENNIS GARBIS: Yeah, I know. That's exactly

22 right.

23 SANDRA RIGGS: I did get a request for...a letter

24

1 from legal counsel and that's being reviewed in Richmond
2 because it's not the typical one the Attorney General's
3 office would sign off on. It's more like outside counsel
4 opinion letter. So, they're looking at it in Richmond to see
5 as to form what we're going to do.

6 BOB WILSON: Yeah, there was...I think, part of
7 what you have copied in here is a request for that
8 information. Of course, I gave them your name.

9 SANDRA RIGGS: I'm sure. That's okay.

10 BENNY WAMPLER: Anything further?

11 BOB WILSON: I have nothing more.

12 BENNY WAMPLER: That concludes the official
13 business. We'll go off record.

14

15

16 STATE OF VIRGINIA,

17 COUNTY OF BUCHANAN, to-wit:

18 I, Sonya Michelle Brown, Court Reporter and Notary
19 Public for the State of Virginia, do hereby certify that the
20 foregoing hearing was recorded by me on a tape recording
21 machine and later transcribed by me personally.

22 Given under my hand and seal on this the 13th day
23 of November, 2001.

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NOTARY PUBLIC

My commission expires: August 31, 2005.